Austria	Sch 20	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1800	S. Arabia	Rls 5.00
Belgium	Bfr 45	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£0.70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 8.00	Lebanon	L£ 8.00	Sweden	Skr 7.00
Egypt	E£1.00	Luxembourg	Lfr 45	Switzerland	SFr 2.20
Finland	Fmk 6.50	Malaysia	Rm 4.25	Taiwan	NT$65
France	Fr 6.50	Mexico	Pes 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 250
Greece	Dr 80	Netherlands	Fl 2.75	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 7.00	U.S.A.	$1.00
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,864 Tuesday February 25 1986 D 8523 B

Gorbachev's chance to tighten his grip, Page 24

World news

Dublin attacks Ulster Unionists

Irish Foreign Minister Peter Barry delivered a stinging attack on the Unionist leadership in Northern Ireland, which abruptly ended the conciliatory tone that Dublin had struck since signing the Anglo-Irish agreement last November.

His speech was timed for maximum impact on the eve of a meeting in London between UK Prime Minister Margaret Thatcher and James Molyneaux and the Rev Ian Paisley, the leaders of the two main Unionist parties.

The speech seemed to indicate that the Irish Government had lost patience with stubborn loyalist opposition to the accord. Page 19

Iran-Iraq battle

Iran threw in more troops in the battle to hold Faw, the Iraqi oil port it captured two weeks ago. It said it had shot down an Iraqi helicopter that attacked a Cyprus-registered supertanker near Kharg Island. Iraq said it was mounting a strong land counter-attack and that its navy had launched two attacks on Gulf shipping.

Beirut blast deaths

At least five people were killed and 12 wounded when a car packed with explosives blew up outside a supermarket in Christian east Beirut.

Rebels shoot seven

Right-wing Mozambican rebels shot dead seven people, including a child, and critically injured 20 others in an attack on a bus near the town of Namaacha close to the Mozambique-Swaziland border.

Kohl probe starts

Prosecutors started investigating allegations that West German Chancellor Helmut Kohl gave false testimony to a parliamentary inquiry.

Workers ruling

The European Court ruled that France should pay migrant workers who left their families at home the same family allowance rates as those who brought their families to France.

Palau vote

The islanders of Palau, a West Pacific UN trust territory, voted for semi-independence that will leave the US in control of its defence for 50 years.

Seoul frees opponent

South Korean authorities lifted a 12-day house arrest order on leading opponent Kim Dae-Jung amid signs that conciliatory moves were underway between the Government and the opposition. Page 3

Treason verdict

A white South African was convicted of treason in Johannesburg after he admitted receiving military training from the banned African National Congress.

Spain wants Gambian

Spain has asked Denmark to extradite James Gomez, a Gambian arrested in Copenhagen for shoplifting. He is suspected of involvement in the murder of two Israelis in Barcelona last October.

Afghan exchange

Afghan guerrillas have reportedly swapped a Soviet prisoner for a rebel commander in a rare exchange.

Satellite 'will crash'

Soviet satellite Cosmos-1714 is out of control and will crash to earth in a matter of days, West German experts said.

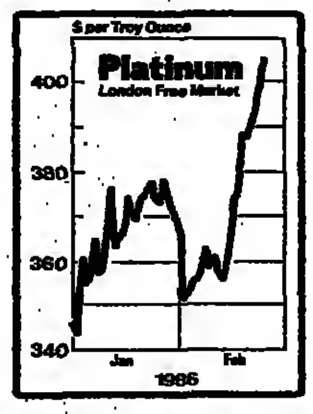
Egg hits Queen

Britain's Queen Elizabeth was hit by an egg in Auckland when she began a week-long tour of New Zealand.

Business summary

Saatchi buys US agency for $75m

SAATCHI & SAATCHI, UK advertising agency, announced a $75m acquisition in the US through its offshoot, Dorland Advertising. Page 26



PLATINUM: Tension in the Philippines added to market anxiety which has sprung partly from industrial problems at Impala Platinum, South Africa. The London price topped $400 a troy ounce for the first time in two years, closing $13.65 higher at $405.50. Page 42

WALL STREET: The Dow Jones industrial average closed up 0.57 at 1,698.28. Page 50

TOKYO: prices were driven to a record high for the first time in four trading days. The Nikkei average gained 70.28 to 13,503.49. Page 50

LONDON: equities powered ahead to record levels and gilts were also higher. The FT Ordinary share index added 19.2 to a peak 1,275.2 and the FT-SE 100 soared 15 to 1,533.8. Page 50

DOLLAR finished near its weakest levels of the day in London. It fell to DM 2.282 (DM 2.3075), SFr 1.901 (SFr 1.9345), FFr 7.0225 (FFr 7.09) and Y182.25 (Y182.90). On Bank of England figures, the dollar's index fell to 118.7 from 119.2. Page 43

STERLING rose in London to its highest level this year against the dollar, gaining 1.65 cents to $1.4635. It was mixed against other currencies closing at DM 3.34 (unchanged), FFr 10.2775 (FFr 10.26), Y266.75 (Y264.75) and SFr 2.7825 (SFr 2.80). Page 43

EUROPEAN CURRENCY UNIT: West German Economics Minister Martin Bangemann launched a new drive to remove the restrictions on use of the Ecu in the country. Page 4

GOLD gained $2.25 to $341.25 in London. In New York the Comex April settlement was $351.00. Page 42

PORTUGAL'S total public debt at December 31 last year exceeded the 1985 gross domestic product, according to Government figures. Page 26

MALAYSIA, hit by falling commodity prices has scaled down its growth forecast for 1986 from 6 per cent to 3 per cent. Page 3

BELGIUM'S monetary authorities have moved to head off further attempts by commercial banks to launch Eurobonds denominated in Belgian currency. Page 32

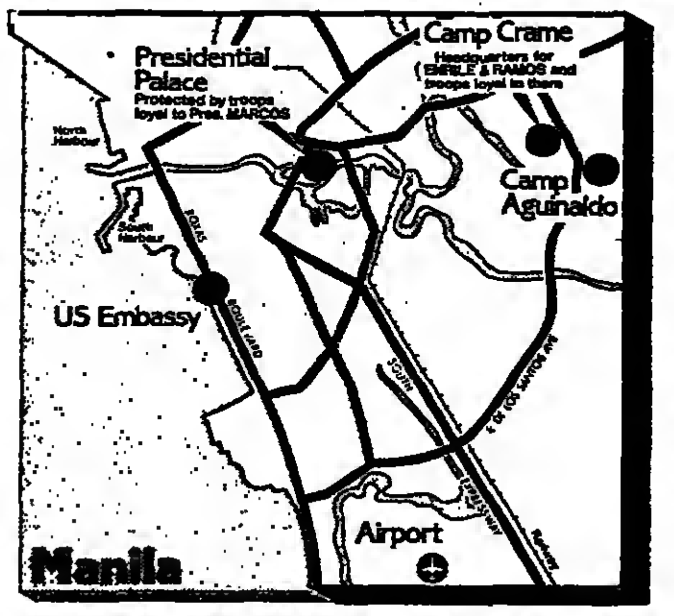
FRENCH bank consortium is arranging loans totalling FFr 400m ($55.6m) to help fund development of the narrow-body A-320 Airbus airliner. Page 10

ICI, leading UK chemicals group, won a Court of Appeal ruling on proposed tax concessions on ethane, a petrochemical feedstock used by its rivals, Shell, Esso and BP. Court hearing, Page 22; Details, Page 26

TNT, Australia's largest transport group, boosted earnings 32 per cent to A$55.5m (US$39m) in the half year to December and plans a 2-cent rise in its dividend for the current year to 14 cents a share. Page 33

Washington tells Marcos to hand over peacefully

BY CHRIS SHERWELL AND SAMUEL SENOREN IN MANILA AND STEWART FLEMING IN WASHINGTON



MRS CORAZON Aquino is expected to be "proclaimed" President of the Philippines by her supporters today in a final challenge to the beleaguered Ferdinand Marcos, who is under irresistible domestic and international pressure to step down.

The most important external pressure came from the US Government which yesterday issued an unambiguous demand that Mr Marcos relinquish power peacefully and use his influence to facilitate an orderly transition

The US move came at 5 am Washington time amid mounting concern in the White House at the risk of a civil war which threatened to destroy American hopes of political stability and economic and military reform in the Philippines.

The White House appealed to President Marcos and those loyal to him to refrain from initiating violence, before adding pointedly: "Attempts to prolong the life of the present regime by violence are futile." It added that a solution to the crisis "can only be achieved through a peaceful transition to a new government."

A State Department official said the Reagan Administration was looking into the possibility of freezing Philippines assets in the US.

Today's attempt to install Mrs Aquino in the presidency may well coincide with the swearing-in of Mr Marcos as President. Yesterday he was saying that he would still go ahead with the oath-taking ceremony ahead of what would be a new six-year term of office.

Still claiming he had won the controversial February 7 election, Mr Marcos was beginning to sound less in control of himself, while retaining an undeniable ability to provoke bloodshed.

The 68-year-old leader declared a curfew from his isolated presidential palace and urged his supporters to arm themselves and help to defend his position. Both calls were ignored.

Although the President's grip on power was obviously weakening yesterday, it was still not clear how and when he might be prised out of office without large-scale bloodshed.

The opposition yesterday paved the way for a transition to Mrs Aquino when Mr Juan Once Enrile, previously Minister of National Defence under Mr Marcos, announced the formation of a provisional government.

In Manila, the US was said to have offered Mr Marcos safe haven provided he avoided violence and stepped down. An aircraft was reported to be waiting at Clark Air Base outside Manila. In Washington, President Ronald Reagan prepared to send special envoy Mr Philip Habib back to Manila.

Earlier in the day, Mr Marcos declared a state of emergency, giving him access to public utilities and broadcast stations. As he spoke, Channel Four, the main government television channel, was taken over by military forces loyal to Mrs Aquino.

Last night more than a million people were estimated to be thronging the highway running past Camp Crame, the national police headquarters where Mr Enrile and Lt Gen Fidel Ramos, deputy armed forces chief under Mr Marcos, made their stand against the President on Saturday.

Both men made strong televised pleas to military commanders to reverse President Marcos' orders to a scout ranger unit to mount an attack on Camp Crame. A ground of armoured vehicles meanwhile failed to breach a human cordon around Channel Four, less than two miles away.

Mr Marcos's decision during Saturday night to order his forces to advance nearer to Camp Crame was plainly seen as a provocative act. Anti-Marcos forces fired rockets into the grounds of the presidential palace later yesterday morning, and firing was reported across town at Villamor Air Base, in the afternoon. During shooting outside the presidential palace last night several people were said to have been hit after loyalist troops fired into a crowd of demonstrators.

International flights of Philippine Airlines were cancelled yesterday and some scheduled arrivals were turned back. Banks were closed as were many shops.

Mr Enrile and Gen Ramos controlled an increasing number of

Continued on Page 26
Philippines in crisis, Page 2

US N-missiles plan welcomed by Nato allies

BY STEWART FLEMING IN WASHINGTON AND ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

PRESIDENT Ronald Reagan announced that US negotiators yesterday submitted at the Geneva arms control talks "a concrete plan" calling for the elimination of US and Soviet intermediate range missiles, including ground-launched cruise missiles in Europe and Asia over a three-year period.

But in his response to last month's arms control proposal by Soviet leader Mikhail Gorbachev, which would lead to the eventual elimination of nuclear arms, Mr Reagan said that certain elements of the Soviet plan were "clearly not appropriate for consideration at this time."

He said: "In our view the total elimination of nuclear weapons will require at the same time the correction of the conventional and other force imbalances, full compliance with existing and future treaty obligations, peaceful resolution of regional conflicts ... and a demonstrated commitment by the Soviet Union to peaceful competition."

America's Nato allies yesterday welcomed the latest U.S. nuclear arms proposals but the Soviet news agency Tass said they were no more than a propaganda move.

The proposals, first leaked extensively in the US press, were confirmed in letters sent by President Ronald Reagan to his principal allies, including Mrs Margaret Thatcher, the UK Prime Minister.

Though several European Nato members and Japan had expressed reservations about the US's original proposal to abolish medium-range missiles in Europe, while cutting the equivalent Soviet Asian-based SS 20s by only 50 per cent, the new three stage plan is much more to their liking.

The British Foreign Office, which said it formed "a good basis for negotiation," stressed that it was the result of intensive consultations within the alliance.

Britain and France are particularly relieved that President Reagan has turned down flatly the proposal made by Mr Mikhail Gorbachev, the Soviet leader, in January that the British and French nuclear forces should be frozen as part of his plan to abolish medium-range nuclear weapons.

The latest Reagan plan was also welcomed by the West German Government as "a realistic formula," but there is continuing argument within the ruling centre-right coalition about the desirability of eliminating all US medium-range weapons in Europe.

What is worrying the European countries most of all is that the elimination of medium-range missiles from Europe will leave them exposed both to the Soviet Union's short-range nuclear weapons based in Eastern Europe and the Warsaw Pact's vastly superior conventional forces.

However, British officials have pointed out that President Reagan's proposals deal with these concerns, which were voiced during the meeting of Nato's special consultative group earlier this month.

President Reagan has proposed a freeze of short-range nuclear weapons at an equal ceiling for both the US and the Soviet Union, with the exact level to be subject to negotiation.

While no formal link has been established between agreements on strategic, medium-range, short-range and conventional forces, it is clear that they cannot be treated in isolation without upsetting the whole East/West arms balance. The issue of so-called "collateral constraints" will therefore become increasingly important as the Geneva arms control negotiations progress.

Under one option of the plan the US is proposing that, in the first year, which it is hoped will be 1987, the medium-range weapons of both sides in Europe should be reduced to 140 launchers each, with proportionate cuts in Soviet Asian-based missiles.

At the moment the Soviet Union has a total of 440 SS-20 medium-range missiles, including about 250 in Europe and some 150 in Asia, with the remaining 40 or so held in store.

The US has 108 Pershing-2 missiles in Europe and is currently working towards a target of 464 ground-based cruise missiles, making an intermediate range weapons total of 572.

In the second year of the plan, the number of weapons would be halved again, dropping to zero in the third year.

Under a second option put forward by Mr Reagan, medium-range nuclear weapons in Europe and Asia would be reduced by equal amounts in three years "on a global basis."

Editorial comment, Page 24

European shares at new peaks

BY GEORGE GRAHAM IN LONDON

EUROPEAN stock markets moved strongly ahead yesterday, with share prices moving to new records on five European bourses. Bond markets also gained ground around the world.

Stock exchange trading volume was so heavy in Paris that the publication of closing prices was delayed by over an hour, to allow operators to handle the wave of buying orders. The CAC index of French shares, gained 3.4 per cent, after adding 4.8 per cent last week. New stock market records were also reached in Brussels, Milan and Madrid.

In London the FT ordinary share index advanced 19.2 points to 1275.2, amid growing optimism about the improvement in company profits that is expected to result from lower oil prices.

Government bonds gained up to 1¾ points and the yield of the FT Actuaries 25-year high coupon gilt fell to 10.08 per cent. Yields have not sustained a level below 10 per cent since the first oil price shock in 1973.

In early trading in Wall Street the Dow Jones Industrial Average traded above 1,700. It closed above 1,600 for the first time on February 6.

The dollar remained weak, but falls in its value against other currencies remained small by comparison with recent weak, and foreign exchange dealers said they had seen no intervention by central banks to slow its decline.

It lost over 2½ pfennigs against the D-Mark, closing at DM 2.282 in London. Against the yen the dollar lost less ground, ending the day at Y182.25.

Sterling regained over 1½ cents against the dollar to end at $1.4635. The Bank of England's trade-weighted index for sterling advanced by 0.4 to close at 74.9.

Fund managers have been slower in London than elsewhere in Europe to translate the effects of lower oil prices into higher share values, although takeover activity has helped the market to move higher. Now, however, many brokers are revising their forecasts of company profits upwards, and have become more optimistic about the levels that the stock market might advance to.

World bond markets remained buoyant, as investors anticipated lower interest rates. A further cut in the Japanese discount rate, to follow last month's ½ percentage point cut, is expected in the next few weeks by many dealers, with interest rates in West Germany and the US following soon afterwards.

"The fall in oil prices is widely seen as a reverse replay of the rise in oil prices which occurred in the 1970s," said Mr Stephen Lewis of London stockbrokers Phillips & Drew. "Just as the increase in oil prices was regarded at the time as building inflation into the economic system, so the present reduction in oil prices will, it is hoped in some quarters, lead to permanently lower inflation rates."

Currencies, Page 43; Stock markets, Page 50

Texas Air to rescue Eastern

BY PAUL TAYLOR AND WILLIAM HALL IN NEW YORK

EASTERN Air Lines, the third biggest US airline, yesterday agreed to be rescued by Texas Air, the Houston-based airline group headed by Mr Frank Lorenzo, one of the pioneers of cut-price US air travel.

The surprise announcement early yesterday came after Eastern failed to win new wage concessions from one of its three unions during eleventh-hour bargaining sessions aimed at avoiding a default on its $2.5bn long-term debt.

The combination of the Miami-based Eastern Air Lines and Texas Air, which controls Continental Air Lines and New York Air, will create the largest airline in the US, in terms of revenue passenger miles.

It also marks a further major consolidation in the US airline industry, which has been in turmoil since the deregulation of the industry a few years ago led to the emergence of a new breed of cut-price carrier.

Eastern said it had reached tentative agreements with its pilots' and flight attendants' unions, giving the airline further concessions, but that its machinists' union, representing about 12,000 of the 38,000-strong workforce, had refused to agree to new concessions.

Details of the agreement between

Mr Frank Borman

Eastern and Texas Air remained unclear yesterday as Eastern Air Lines called, and then cancelled, a Press conference.

On Wall Street Eastern's shares rose by $1⅞ to $8 a share in heavy trading with over 5m shares changing hands by lunchtime.

At that price the stock market is valuing Eastern at $484m but analysts speculated that Texas Air, which apparently made a formal offer on Friday, was bidding around $10 per share for Eastern's 60.5m shares.

The deal appears to cast a cloud of uncertainty over the future of Mr Frank Borman, the former astronaut who has headed Eastern for the past decade. Mr Borman was the architect of an earlier rescue of Eastern under which the workforce received 25 per cent of the equity in the airline in return for wage and work rule concessions.

That deal was held up as a model for wage concession packages throughout the US. However, an escalation in the air fare war between the big US carriers in recent months has led to heavy losses at Eastern and forced the company to demand further concessions from its workforce.

After yesterday's announcement Eastern's unions were bitter about the prospect of being run by Mr Lorenzo, who earned a reputation as "union-basher" after he took Continental Air Lines into bankruptcy court proceedings, tore up its union agreements and cut wages.

Background, Page 27; Wall Street, Page 50

CONTENTS

PHILIPPINES IN CRISIS

Helicopter pilots' dawn defection gives rebels boost

BY CHRIS SHERWELL AND SAMUEL SENOREN IN MANILA

THE TURNING point in the weekend hattle between President Ferdinand Marcos and the forces supporting his challenger, Mrs Corazon Aquino, *came* just after daybreak on Monday morning.

Sixteen pilots landed seven helicopters—five of them Sikorsky Blackhawk gunships—ot Camp Crame, the opposition'a base of operations. The manoeuvre offered the real prospect nf control of the air.

Another crucial moment came less than fours later, at around 9.45 am. Mr Morcos appeared on television to refute reports that he had fied the country and declared an emergency. The nppositlon sucessfully called for more *supporters* on the streets, and Mr Marcos's speech was blacked out a sbort while later.

The dramatic sequence ol events unfolded as follows:

Saturday ***afternoon:*** Two key figures in ibe Marcos Government—Mr Juan Ponce Enrile, Minister of Notional Detence, and Lt-Gen Fidel Ramos, Deputy Chief of the Armed Forces—learn they are to be arrested and decide to act.

Saturday 6 pm: The two men barricade themselves inside Camp Aguinaldo, defence beadquarters, and Camp Crame, base for the Philippine Constabulary. At o oews conference they call on Mr Marcos to step down.

Saturday 10 pm: Cardinal Sin, Archbishop of Manila, calls for support for the two rebels. Thousands turn out to hlock the main highway which *runs* past the camps. During the night a judge resigns, and a junior Minister and others defect.

Sunday noon: Mr Marcos claims s coup d'etat and assassination ottempt on him and indirectly links it to Mr Enrile and Gen Ramos. He calls for negotiations but insists he won't stand down. The two camps, be claims, are surrounded.

Sunday afternoon: Mr Enrile joins Gen Ramos in Camp Crame to concentrate forces. An ormoured column of Marines advances hut is checked hy a *growing mass of people o mile* short of its target. The Opposition hails o triumph of "people's power."

Sunday midnight: Mr Marcos accuses the pair of trying to grah power for themselves and labels them "plalo rebels." He warns he is ready to use tanks and artillery. Cardinal Sin urges troops oot to use violence. Gen Ramos hints that Imelda Marcos, wife of the President, has already fied the country.

Monday 5 am: Riot troops loyal to President Marcos move to take Camp Aguinaldo, using tear gas and batons to disperse unarmed civilians. US President Ronald Reagan warns that the use of weapons against civilians will result in an immediate cut-off of aid.

Monday 6 am: *Helicopter* pilots defect to Opposition. Other defections ore reported, including 400 paratroopers. Mr Marcos is rumoured to have flown ont of the country. Units in the Presidential Security Command are reported to be deserting and Cardinal Sin appeals urgeotly over the radio for calm.

Monday 9.30 am: President Marcos unexpectedly goes on live television from the Presidential palace to declare a state nf emergency. He says he has not fled and will not stand down. Channel 4 television, the Government - controlled station, is takeo over by opposition forces. Gen Ramos and Mr Enrile plead oo radio for more popular assistance.

Monday 10.30 am: Mr Enrile and Geo Ramos declare a provisional government.

Monday 10.45 am: Helicopters rocket the grounds of the Presidential palace. Later they raid Villaimor military airbase where fighting is later reported. At the nearby international airport flights are cancelled and arriving aircraft turned back.

Monday 7 pm: Mr Marcos with Imelda at his side, stands his ground, declares o curfew and calls on supporters to defend the palace. Mr Enrile and Gen Ramos point to broadening military support and again urge Mr Marcos to stand down. Crowds prepare for a third night protecting Camp Crame from attack.

● Mr Juan Ponce Enrile, former defence minister (left) and Maj Gen Fidel Ramos greet thousands ot Filipinos at Camp Crame yesterday

WORLD REACTION

Moscow lays blame on Washington

AP writes: The Soviet Union and some of its ollies blame the US for the deepening crisis in the Philippines.

A report published in Moscow in the Community Porty daily Pravda *said* "*observers*" in the Philippines claim a coup was planned against My Marcos and that the US Central Intelligence Agency may have participated in those plans.

Poland's official Communist Party newspaper, Trybuna Ludu, expressed a similar sentiment.

"It is hard to resist the impression that the White House, at the cost of maintaining its influence in the Philippines and its military basea, decided to get rid of the now-uncomfortable and moreover insubordinate dictator," it said.

The British Foreign Office said democracy must be restored to the Philippines. "These latest developments reflect the strength of feeling in the Philippines nver the fraudulent conduct of the elections and the pressing need tn restore democracy io the interests of its people and its future stability and economic developmeot," it said.

British Airways suspended its twice-weekly service to Manila.

Spain called its ambassador bome tn *Madrid for consultations* because of wbat Mr Fernandez Ordonez, the Foreign Minister, described as "the *serious situation.*"

In Tokyo, Prime Minister Yasuhiro Nakasone said he and s senior aide to President *Ronald Reagan agreed* yesterday that Jopan and the US should make efforts for a settlement of the current crisis in the Philippines without bloodshed.

"We agreed not to encroach on any self-determination of the Philippine people, but we *should make utmost efforts* and co-operate toward avoiding any bloodshed there," Mr Nakasone said.

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US fears for the future as Marcos is abandoned

BY STEWART FLEMING IN WASHINGTON

RELUCTANTLY and with painful anxieties for the future of the Philippines, the *Reagan Administration* has been forced to abandoo President Marcos for fear that violence and even eivil war conld play right into the hands of the country's Communist insurgents.

For if President Ronald Reagan could see clearly how tu achieve a stable, democratic Government in the Philippines capable of dealing with the insurgents, and able to introduce economic reform, then it is unlikely that he would have waited until the country was on the verge nt civil war to call on *Mr Marcos to step down.*

Even the statement the White House issued early oo Friday morning calling for "a peaceful transition to a new government" did not spell oot how the US would like the transition to be accomplished nr to whom it would like to see power transferred.

In ducking these issues Mr Reagan is recognising the limits of US power and trying to avoid being saddled with the responsibility for what comes oext. At the same time he is finally admitting in public that President Marcos is no longer a credible head of government.

Memories of US involvement in the overthrow of Ngo Dioh Diem in Vietnam, the Shah of Iran and General Anastasio Somoza in Nicaragua, and of the blame which followed help to explain wby the White House is being so circumspect.

US policy in the Philippines has evolved rapidly however, for even as late as February 11, President Reagan was still demonstrating his reloctance to abandon a longstanding American ally.

By that stage, with the Philippine election results so obviously fraudulent, most of his foreign policy advisers and a majority of the members of Congress had decided that President Marcos must go. Mr Reagan was *still* talking about election fraud on both sides.

Bot apart from the avoidance of violence and a transition to a new government it is still unclear what the US wants. Oo Saturday the White House finally conceded that the election was fraudulent and the fraud was perpetrated by the Government. It did not, however, say that Mrs Aquino had a mandate to govern.

Some in Washington argue that the election amounted to a repudiation of Mr Marcos rather than a vote for Mrs Aquino, and within the Administration there are serious doubts as to whether she would be an effective leader.

At this stage, if the US can succeed in helping to avoid violence, and in pressuring President Marcos to transfer power in an orderly way to a successor, that would be a significant achievement.

After that, according to Mr Larry Speakes, the White House wants to see a Government "that is supported by the majority of the Philippine people and the body politic of the Philippines . . . to tell them US ideas for achieving this ambitious goal however are unclear.

Church wins airwaves war as Filipinos tune into the voice of truth

BY SAMUEL SENOREN IN MANILA

THE DRAMATIC struggle for power wbich unfolded in the Philippines over the weekend was only partly a battle waged by unarmed crowds in the streets who wanted President Ferdinand Marcos removed. It was also o fight for the capital's airwaves, which offered the most potent ammunition in the way of wills.

Last night the tussle was continuing, with supporters of Mrs Corazon Aquioo controlling Channel Four televisioo, the *previously* reviled Government station, and Mr Marcos still broadcasting over another three stations.

But *radio has proved* eveo more important. Throughout the weekend, hundreds of thousands of protestors remained glued to their portable sets for instructions, guidaoce, support and encouragemeot.

Leading the way was Radio Veritas, owned and controlled by the Catholic church. For many, its callsign "DWRV 846: The voice of truth" has long been the only source nf reliable information. Its value was recognised in the campaign leading up to the disputed February 7 Presidential election, but it really came into its own over the weekend.

Cardinal Jaime Sin, Archbishop of Manila, used it on Saturday night to call oo people to support Mr Juan Ponce Enrile, *Minister of National* Defence in the Marcos Governmeot, and Lt Gen Fidel Ramos, Deputy Chief of the Armed Forces.

Radio Veritas has expanded well beyond its original role, which was to present to all Asians what the Catholic Church stands for. Set up in 1969 as a private, noo-commercial radio station and funded chiefly from West Germany, its most importaot broadcasts are to countries where the church is "in silence," like *China,* Vietnam and North Korea.

Though the programmes are mostly evangelistic, educational *or cultural,* Radio Veritas *also* produces oewscasts and curreot affairs coverage, and this is where it has scored over the *past few months* as the domestic political crisis has sharpened in the Philippines.

The station has not been immune to pressure from the Marcos Government, however. Last Thursday its board of directors finally succumbed and stopped Mrs Aquino using nightly broadcasts to promote her campaign of civil disobedience against Mr Marcos.

Though the censorship lasted only 24 hours—Mrs Aquino taped an interview for broadcast on *Friday night*—events quickly moved on. Radio Veritas stayed open 24 hours on Saturday.

Units of the armed forces began tuning into the station and both Mr Enrile and Geo Ramos started issuing instructions, requests and appeals, joined by the broadcasting staff.

In the early hours of Sunday morning, Veritas experienced a setback. The radio said armed men attacked its transmitting station, north of Manila, silencing both its short wave output, which prevented its voice being heard abroad, and hitting its regular 50kW transmitter for local broadcasts.

The radio also said a oew but unused 250kW transmitter was damaged, which meant it had *to carry on with a* weak and fading 10kW transmitter at its station in Quezon City in the Manila capital region.

By Sunday night that too was off the air, and it looked as though the opposition's cause was irreparably damaged. *Within* hours, however, Veritas started to broadcast again under a different call sign, from a secret location.

Yesterday morning it became increasingly euphoric as Gen Ramos reported remarkable successes—the defection of more officers and even of Ministers, a switch of allegiance by pilots of a flight of Blackhawk *helicopters* and *signs* that Mr Marcos and his wife had left the country.

Then Mr Marcos appeared on television to say he was still in Manila, still in charge and refusing to stand down. It was another turning point, and time once again for prayer. Within minutes, Mr Marcos's broadcast was cut as Channel Four fell to Opposition forces. Veritas's further calls for people to turn out on the streets were instantly heeded, and the battle continued.

OVERSEAS NEWS

BP and Shell agree to buy more oil from Saudi Arabia

BY RICHARD JOHNS

BRITISH PETROLEUM and Shell are understood to have agreed to buy an extra 50,000 barrels a day of oil from Saudi Arabia bringing their total commitments to 300,000 b/d.

The increased volume should be sufficient to cover the cost of the Kingdom's purchase of aircraft, including 72 Tornado strike and interceptor aircraft from British Aerospace, on the government - to - government agreements finally signed eight days ago.

Saudi Arabia has also agreed to the establishment of an escrow account in London involving at least one leading British bank into which BP and Shell's payments will be made to cover the aircraft deal, but the financial structure has yet to be finalised.

An initial advance payment has been made under a temporary arrangement.

Riyadh, meanwhile, is still anxious to stress that the package deal for aircraft is not a barter agreement. But it is clear that proceeds for the crude purchases by BP and Shell will be directly related to it.

Neither BP nor Shell were prepared to comment yesterday about the additional volumes which they are purchasing on a "net-back" basis—the spot market rate for products less transport and refining costs, as well as an agreed profit margin.

Well informed traders said, however, that they wanted the extra Saudi crude for commercial reasons and would be buying it under "ever-green" contracts which could be terminated by either party with three months' notice—similar to those under the deals concluded late last summer for 100,000 b/d each.

For the additional volume, though, Saudi Arabia has agreed to shipment to markets east of Suez. The original Saudi "net-back" deals restricted the flow of crude involved to destinations west of Suez.

Saudi Arabia reached agreements on "net-back" sales for destinations east of Suez involving 780,000 b/d. Apart from BP and Shell, companies involved are Caltex 250,000 b/d, Mobil 60,000 b/d, Exxon 100,000 h/d, Mitsubishi 100,000 b/d, Kyodo 70,000 h/d, Mitsui 50,000 b/d and Marubeni 50,000 h/d.

Altogether agreements on a "nat-back" hasis cover exports of about 3m h/d of Saudi crude and now include long-standing government - to - government agreements.

Iran drops plan for Gulf bypass pipeline

By Tony Walker in Tehran

IRAN HAS said it will not proceed with an ambitious $3bn pipeline project to provide an alternative route for oil now being transhipped from its Kharg Island oil terminal which has been proved vulnerable to Iraqi air attacks.

According to a Japanese trade official here, companies were informed several weeks ago the project to build a 380-kilometre pipeline from Ganaveh in the northern Gulf to Asaluyeh well to the south was being shelved for the time being.

It appears the high cost of the project (original estimate was $1.2bn) at a time when Iran's oil revenues are being reduced by the slide in prices has forced Tehran to review its plans.

A number of international companies were bidding for the construction contract and for the right to supply pipes. The cancellation of the project will be a blow to these companies at a time when the world construction industry is depressed.

Frontrunner for the contract to construct the pipeline at a cost of about $1.5bn is believed to have been a consortium of South Korea's Daewoo Corporation and JGC of Japan.

Among other bidders were South Korea's Sangyong Construction, Daelim Industrial, also of South Korea, and an Italo-German consortium representing Saipem and Snamprogretti, and Philipp Holzmann.

Pipe suppliers for a contract that could have been worth about $500m included Italy's Italsider, a Japanese consortium led by Nippon Steel and West Germany's Mannesmann.

Bids were called for the project in mid-October soon after Iraq began inflicting severe damage on the Kharg Island terminal. Iranian officials said they boped the first stage from Ganaveh to Bushehr could have been finished this year. The pipeline, when completed, was expected to have a capacity of about 1.5m barrels a day.

Meeting sought between Opec and other producers

BY OUR MIDDLE EAST STAFF

IRAN, Algeria and Libya are pressing for a meeting involving members of the Organisation of Petroleum Exporting Countries and other producers to discuss ways of stopping the slide in oil prices.

In an interview published yesterday by Al Ithhad, the official newspaper of the United Arab Emirates, Mr Gholamreza Aqazadeh, Iran's Minister of Oil, said that the three Opec members were ready to join such a conference.

They agreed to organise a meeting of Opec and non-member producers before the conference scheduled to take place in Geneva in mid-March.

The majority of members would prefer to meet other producers after the Geneva conference rather than invite "friendly Third World producers," according to the Middle East Economic Survey, the well-informed Nicosia news letter.

It said that they were in favour of defining Opec'a strategy before bolding a wider meeting aimed at stabilising the market by regulating production levels.

Yesterday Algeria hosted consultations with Opec's other African members — Libya, Nigeria, and Gabon. They are expected to issue an invitation to Angola, Egypt, Tunisia, and Congo-Brazzaville to join a new regional grouping to take collective action to restore the market.

French nationals held in Tehran

FIVE French nationals, including the third secretary at the French Embassy, were detained in Tehran yesterday, a senior French official said, Reuter writes from Tehran. "No reasons have been given for the arrests," he said.

Iranian Foreign Ministry officials were not available for comment.

Mr Philippe Tissot, the Third Secretary, was taken from his car while carrying the embassy's diplomatic bag, the French official said. The others held were Mr Jean-Pierre Decours, Mr Gilles Picot, Mr Jean-Pierre Boidet and his wife Francoise. The three men are engineers.

The moves follow tha expulsion of four Iranians from France in connection with a recent wave of bombings in Paris. Other Iranians were also arrested.

The French Charge d'Affaires in Tehran, Mr Pierre La France, was summoned to the Iranian Foreign Ministry after the expulsions and told that the French Government would be responsible for any "undesirable consequences," the Islamic Republic newspaper reported on Saturday.

Kathy Evans adds from Kuwait: An Iraqi general appeared to back off from earlier predictions of a quick victory over Iranian forces occupying the Faw peninsular.

At a meeting with the Press at his field beadquarters on the front, Major-General Maher Abdul Rashid said Iraqi forces would be in Few "soon." Last Saturday, the general said his army would be there "in a few days. I still say a few days, but it is not possible to say when," General Rashid said yesterday.

Getting to Faw may present some prohlems, for the Iraqis clearly want to avoid a street-by-street hattle in the town with martyrdom - minded Iranians "This would not happen because we will force them to leave Faw before. We do not expect to enter and then bave to dislodge them."

DEMAND FOR DIRECT PRESIDENTIAL POLLS

Chun meets S Korea opposition


President Chun Doo Hwan

SOUTH KOREAN opposition leader Mr Yi Min-u yesterday vowed to press ahead with a campaign to demand direct presidential polls after failing to make a breakthrough on electoral reforms in talks with President Chun Doo Hwan, Reuter reports from Seoul.

As President Chun and Mr Yi met in the Blue House presidential palace, 300 members of Mr Yi's New Korea Democratic Party added their signatures to a petition demanding changes in the electoral system, party officials said.

"I made clear to President Chun that unless he announces a programme towards democratisation we will peacefully continue the campaign," Mr Yi told party members.

The chairman of the NKDP explained, however, that President Chun had made some concessions, such as assuring the opposition chief that police would not in future blockade NKDP headquarters as they had last week to prevent members entering.

Mr Yi said the President bas also agreed to meet him in future to discuss constitutional changes, although Mr Chun repeated that the scheduled change of power when he steps down in 1988 should be under tha present constitution.

NKDP officials said Mr Chun had promised for the first tima that the government or ruling party would change the constitution in 1989.

The President also said that such a change could be dealt with in discussions between the ruling and opposition parties in parliament, the officials said.

The opposition want the constitution changed before Mr Chun steps down in 1988 to provide for direct presidential elections instead of by the current electoral college system.

An NKDP spokesman said after the meeting that Chun had not solved the core of the problems, but had merely dealt with "branch matters."

The government, which says the petition campaign is illegal, earlier lifted a 12-day house arrest order on leading dissident Mr Kim Dae-jung, who bas backed the campaign despite being banned from politics.

Meanwbile, police have withdrawn from outside the offices of a dissident organisation called the Council for Promotion of Democracy where they heve been stationed since the signature campaign began on February 12.

Pakistan and US start aid talks

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN AND the US start negotiations this week for a long-term package to finance import of weapons and economic assistance, beyond 1987.

The currently six-year aid package which provided Pakistan $3.2bn—half in economic assistance and the rest in military sales credits at market-related interest rates—expires in 1986. The assistance was aimed at boosting Pakistan defence capability and the economy following the 1979 Soviet military intervention in Afghanistan. An estimated 115,000 Soviet troops have been fighting anti-Marxist guerrillas in Afghanistan for the last six years, posing a security threat to Pakistan and the Gulf.

The military sales credits of $1.6bn were chiefly used to import 40 F1-16 advanced warplanes, and equipment for the Pakistani army.

Pakistan last year asked the US for $6.5bn in assistance—doubling the existing figure—but Washington has been lukewarm in view of its own massive budget deficits and all-round pruning of allocations which Congress has undertaken.

The talks both at Washington and Islamabad last year produced no clear picture of future aid levels. This will be further discussed by Mr Mohammed Yasin Wattoo, the Finance Minister, and US officials this week.

Commonwealth group ends visit to South Africa

BY OUR FOREIGN STAFF

FIVE MEMBERS of the Commonwealth group set up to encourage dialogue between the South African Government end the country's black majority were due to visit Botswana yesterday as part of a tour of southern African front-line states which will culminate in the Zambian capital of Lusaka.

Two members of the panel, set up after the Commonwealth summit in Nassau last October, have ended a week-long stay in South Africa. The former Australian Prime Minister, Mr Malcolm Fraser, and Dame Nita Barrow, chairperson of the World Council of Churches, will be joined in Botswana by Lord Barber, the former British Chancellor of the Exchequer, Mr John Malecela, Tanzania's ex-Foreign Minister, and Archbishop Edward Stott, primate of Canada's Anglican church. A sixth member of the group, Gen Olusegun Obasanjo, Nigeria's former head of state, who has been visiting the Republic, will meet up with the group in Lusaka.

In South Africa, conservative whites have condemned the decision by the management of the US-owned General Motors plant in Port Elizabeth to give legal and financial help to employees who defied segregetion laws affecting use of the city's beaches, although a leading deily newspaper warned that foreign companies could no longer remain politically neutral.

Security forces patrolled the heaches over the weekend but bathers were kept away hy bad weether. An editorial in the Johannesburg husiness newspaper, Business Day, seid that multinational corporations "are under pressure as never before to justify their presence in South Africa."

"By going that extra step," the newspaper's editorial continued, "General Motors has taken a radical departure

"We need multinationals like General Motors to stay in South Africa," concluded the paper, "so perhaps we abould accept its new stand as a positive contribution to the process of change."

Malaysia scales down growth forecast

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA, hit by falling commodity prices, has drastically scaled down its growth forecast for this year from 6 per cent to 3 per cent. The new projection was announced by Mr Sabarud-din Chik, the Deputy Finance Minister.

However, private sector economists say the country may experience zero growth this year, unless there is an upturn in commodity prices in the later part of the year.

At the same tima, Government leaders are expressing shock over the latest official statistics which showed the country's economy grew by only 2.8 per cent last year, compared with a projected growth of 5.7 per cent and an actual growth of 7.6 per cent in 1984.

Last year's growth was the lowest in the past ten years and Government officials say the performance of the last quarter was "particularly disappointing."

In line with falling world oil prices, Malaysia has announced a US$4 cut to its oil prices, bringing them to an average of US$23.5 a barrel.

NOTICE OF REDEMPTION
To the Holders of

Queensland Alumina Finance N.V.

8¼% Collateral Trust Bonds Due 1987

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Queensland Alumina Finance N.V. Collateral Trust Indenture dated as of April 1, 1972, U.S. $2,500,000 principal amount of the above described Bonds have been selected for redemption on April 1, 1986, in lieu of a redemption for the purpose of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, as follows:

Outstanding Bonds of U.S. $1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

03 05 06 07 18 21 29 41 45 46 47 51 53 56 64 66 70 64 87 88

Also Bonds of U.S. $1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

3	1068	3068	4468	6068	7468	10268	17968	19268	20668	21668	23268	24168
5	1268	3768	4668	6268	7768	12268	18068	19368	20768	21768	23368	24368
6	1668	3968	4868	6368	8368	14668	18368	19368	21268	22468	23468	24468
7	2268	3868	5168	6768	8768	17568	18768	19768	21368	22568	23668	24668
368	2368	4268	5468	7168	8868	17768	19068	20468	21468	22668	23868	
468	2468	4368	5668	7368	9968	17868	19168	20568	21568	22968	23968	

On April 1, 1986, the Bonds designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. Said Bonds will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, or (b) subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London or Paris or at the main offices of Bank Mees & Hope NV in Amsterdam or Banque Internationale à Luxembourg S.A. in Luxembourg. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due April 1, 1986 should be detached and collected in the usual manner.

On and after April 1, 1986 interest shall cease to accrue on the Bonds herein designated for redemption.

Following the aforesaid redemption, $5,500,000 principal amount of the Bonds will remain outstanding.

QUEENSLAND ALUMINA FINANCE N.V.
By JOHN T. LaDUC, *Managing Director*

Dated: February 28, 1986

NOTICE

The following Bonds previously called for redemption have not as yet been presented for payment:

M 473	2432	2644	3228	3971	6173	5581	8396	15125	18432	18571	18594	20160
1525	2433	2660	3943	3973	5577	5582	8399	15126	18433	18573	18597	20161
1712	2569	2661	3944	3979	5579	5589	10198	15133	18562	18589	18598	20294
1713	2580	2662	3962	3983	5583	8367	11359	15140	18563	18590	19759	20297
2397	2581	3325	3963	3989	5588	8369	11367	15143	18567	18591	20155	20298
2428	2582	3326	3989	3171	5590	8397	13655	15144	18569	18592	20159	24506

EUROPEAN NEWS

Discord dominates EEC debate on farm prices

BY IVO DAWNAY IN BRUSSELS

EEC Farm Ministers yesterday greeted the European Commission's package of 1986-87 farm prices with a collective groan, loud even by their own highly exacting standards.

Moreover, as each Minister addressed his colleagues in the first debate on the austerity programme which imposes a general freeze on prices, the wide divergence between the member states' individual approaches to the EEC farm crisis also suggested that this year's negotiation may be harder than ever.

Presenting the package, Mr Frans Andriessen, the Farm Commissioner, warned that the cost of unsold stocks and subsidies for their disposal look set to force spending through the Ecu 21bn ($18bn) budget ceiling.

Finance Ministers would have to discuss his call for a further Ecu 750m in emergency funding at their March 10 meeting before the farm negotiations proper could begin.

Such a view was reflected by Mr Gerrit Braks, the Dutch Minister currently presiding over the Council. And there appeared near unanimity among the ministers that more funds for disposal programmes would need to be made available to them.

He said an unsavoury scene and depressing prices.

But beyond the call for more resources, the harmony of the meeting lapsed into discord. Mr Filippo Pandolfi, the Italian Minister, insisted that any additional funding should fall largely on the countries of the temperate north.

He claimed that this year northern countries will receive as much as three quarters of all EEC farm spending and that this unfairly discriminated against the Mediterranean.

For West Germany, Mr Ignaz Kiechle warned that he would not endorse any scheme that cut incomes through disguised back door methods—a clear reference to the Commission's management measures that forced through a small cereals price cut last year despite a German veto.

Mr Kiechle said that acceptance of the planned 3 per cent co-responsibility levy, or producer tax, on cereals output would be conditional on stricter quality controls.

These two latter points aroused the fierce objections of Mr Michael Jopling, the British Minister. He warned that the UK would oppose any moves that threatened to discriminate against efficient farmers.

There were also wide ranging objections to many elements in the price freeze package from France.

The national conflicts which the farm crisis has exposed may also be paralleled by fierce internal debates within governments over tactics on the farm question. The West German, Dutch and British Finance Ministries have repeatedly emphasised their commitment to imposing budgetary discipline on the EEC's agricultural expenditure.

Ireland signs terrorism convention

By Hugh Carnegy in Dublin

IRELAND signed the European convention on the suppression of terrorism in Strasbourg yesterday, meeting a long-time demand by Northern Ireland Unionists but risking hostility from opposition politicians at home.

Mr Alan Dukes, the Republic's Justice Minister, said after signing the convention that he hoped legislation to ratify the move, which was promised as part of the Anglo-Irish agreement, would be passed by the Irish parliament in the autumn.

Until yesterday, the only members of the council of Europe not to have signed the convention since it was drawn up in 1977 were Ireland and Malta, a fact which Unionists in the North had long seen as proof of Dublin's unwillingness to tackle Republican violence.

Successive Irish Governments had refused to sign because they believed it contravened a provision in the Irish constitution which prevents extradition for political offences. Dr Garret FitzGerald's Fine Gael-Labour coalition felt able to go ahead, however, after the Supreme Court in effect redefined the nature of a political offence.

In the best-known case, the court agreed to the extradition last year of Mr Dominic McGlinchey to Northern Ireland because it ruled that the type of violent offences he was accused of were not reasonable political acts.

The Government then judged that the way was clear legally to accede to the convention which provides that offences such as hi jacking, kidnapping and bombings should not be regarded as political offences for the purposes of extradition.

In practice, the Irish signing will make little difference as the Supreme Court ruling has already cleared the way for extradition to the North. But the move removes a major Unionist grievance and has been warmly welcomed by London as evidence of genuine security progress under the Anglo-Irish agreement.

Dr FitzGerald may face opposition to the move in the Republic, however. The opposition Fianna Fail Party has accused the Prime Minister of giving in to British pressure.

Nato allies grow nervous about vote in Spain

By David White in Madrid

SPAIN'S political parties today begin two weeks of television and radio campaigns for the March 12 referendum on continued membership of the North Atlantic Treaty Organisation, amid growing signs of nervousness about the outcome, both in the Socialist Government and among the Nato allies.

Mr Felipe Gonzalez, the Prime Minister, yesterday appealed for "serenity" but admitted that the referendum would not be easy for the Government. He noted that opinion polls continued to put the "no" vote in the lead.

It is clear that the Madrid government led the allies to expect a more positive balance at this advanced stage of the debate. The Government's own opinion surveys have recently coincided with independent polls in indicating that it has an uphill task in persuading a majority to back its qualified pro-Nato stance.

Under a deal worked out by a multi-party commission, television time will be distributed according to each party's representation in parliament. This means that the socialists get the largest share, followed by the right-wing popular alliance, which is calling for abstention.

Christopher Bobinski on how pollution is spoiling a socialist dream

Polish planners' pride lacks joy

A LINE of smoke stacks belching out industrial waste has long been one of socialism's most potent virility symbols, and the Katowice district, with its coal reserves and heavy industry, has enjoyed a special place in planners' hearts.

But after four decades of a record 20 per cent of national annual capital investment going into a mere 2 per cent of the country's land area, the local establishment wants to call a halt.

This is a startling reversal of attitudes. Local politicians used to equate new projects with money, power and prestige, and were happy to take what was offered by the industrial ministries. But the resulting pollution has now changed their minds.

Snow in winter in the Katowice area is slightly grubby even as it hits the ground and streams are so full of chemicals that they no longer freeze. In summer the sun often appears as only a smudge through the dense air.

Water for industrial and domestic purposes has been short for some time. There is a lack of labour, transport and housing. Local ecology activists, as well as officials ensconced in a city hall which itself is beginning to crack as miners burrow away at the coal below, agree that the area is not far away from ecological catastrophe.

Mr Krzysztof Jeórzejowski, the head of the local environmental protection department adds, however that growth in pollution levelled out in 1984 and the struggle is now to achieve a fall.

Consciousness of the threat has yet to percolate down to the population. Many have lived in this industrial area for generations and are used to the grime, while others have been attracted here by the higher wages and worry about little else.

Traditional attachments to such things as allotments die hard, even though vegetables may have a dangerously high lead content. Local government posters warning of this are ignored or defaced.

Over the past few years the Government has agreed that Katowice needs a halt to heavy industrial development and a change in structure to more modern pollution-free technologies.

But as the tussle over approval of the 1986-90 economic plan at the Communist Party Congress in June enters a decisive phase, the reality is that the powerful industrial lobbies are continuing to push for projects which would make the situation worse.

The local Katowice administration is led by Mr Tadeusz Wnuk, who is considered to be well aware of the ecological dangers of giving in to these demands. Behind the scenes he has been fighting a rearguard action to shift some of the projects.

He is backed by local government councils chosen in 1984, which under new laws have the power to veto new projects. Over the past couple of years councillors who were officially approved before being allowed to stand, have begun to flex their muscles on the ecology issue.

In some places they have been helped by ecology campaigners in trying to resist industrial demands. "They come to us for advice and even want us to set up courses for them," says the outspoken and energetic Ms Bozena Szwedek from the tiny local ecology club set up in 1981 during the Solidarity period.

She fondly remembers the time last May when three councils meeting together turned down the powerful Mining Ministry's request to locate a waste tip in their area.

Nevertheless the local planning chief, Mr Tadeusz Cypcar, stresses that the area must take into account the national interest and denies they want a halt to all investment. He hints that it is at the centre that the decisive debate is taking place, with heavy industry and raw materials lobbies making heavy demands.

In the end, the fate of Katowice hinges on the continuing debate about the country's economic reform. If implemented in full it would put industry on to the road of greater efficiency, thus minimising the importance of these lobbies. Unless the economic reform is implemented, the future of Katowice will continue to look quite literally black.

Bangemann seeks Ecu action

BY JONATHAN CARR IN FRANKFURT

A NEW drive to remove the restrictions on use of the European Currency Unit (Ecu) in West Germany has been launched by Mr Martin Bangemann, the Bonn Economics Minister.

Mr Bangemann complained that German business was at a competitive disadvantage because of the domestic ban on the Ecu, which was increasingly used in international payments transactions.

He added that removal of the restrictions would be seen by Bonn's partners as a move towards greater European integration. Moreover the step would not endanger German monetary stability.

Mr Bangemann outlined his stance in a letter to Mr Gerhard Stoltenberg, the Finance Minister, who has the main government responsibility for currency matters.

Mr Bangemann said he felt the Bundesbank, the independent central bank in Frankfurt, would now drop its restrictive attitude to the Ecu if Bonn gave it the appropriate signal.

In contrast to the situation in other European Monetary System (EMS) states, West German banks are not allowed to open accounts denominated in Ecu. This effectively bars West German residents from carrying out Ecu transactions, though they can still buy foreign-issued Ecu bonds if they wish.

The Bundesbank bases its formal opposition to the Ecu on section three of the country's currency law which forbids indexed liabilities—that is debts whose value depends on other currencies but which are payable in D-Marks.

The Ecu—as a "basket" of different European currencies—is held to involve just such a form of indexation.

The Bundesbank says it fears that if permission were given to Ecu accounts, a precedent would be given for other forms of indexation and there would be a danger of greater inflation.

However, Mr Karl Otto Pöhl, the Bundesbank president, stressed publicly last year that the central bank was "not dogmatic" on the issue. He indicated that if other EEC states dropped restrictions on capital controls, the West Germans might be ready to give the green light to the Ecu.

In recent weeks both the government and Bundesbank have noted with interest the remarks of M Jacques Delors, president of the European Commission, that he is launching a major drive this year on capital controls in the EEC.

Signs of success by M Delors could, it is felt, create the conditions in which the Germans revised their Ecu stance.

Perle begins defence talks in Turkey

By David Barchard in Ankara

Mr Richard Perle, the US deputy secretary of defence, yesterday began two days of talks with the Turkish Government in Ankara.

Diplomatic sources said that Mr Perle, who was accompanied by a team of 40 US officials, was in Ankara for a routine six-monthly meeting of the US-Turkish defence co-operation working group. But they added that the meeting had apparently been brought forward partly because of the visit to Ankara next month of Mr George Shultz the US Secretary of State.

Routine matters such as industrial defence co-operation—including a $4.2bn (£3bn) project to build F-16 fighter jets—and the modernisation of the Turkish armed forces are expected to be discussed. However, chief interest will focus on the stalled negotiations for the next Turkish-American defence and economic co-operation agreement.

The agreement, renewed every five years, expired on December 19 without negotiations being completed. The existing treaty thus remains in force pro tem, a situation which the US views with equanimity but which has caused some impatience in Turkey.

Since early January the log-jam in the negotiations is believed to have been partially unblocked and Mr Perle will undoubtedly be trying to assess how close a new agreement is.

India to order 19 Airbuses

BY K. K. SHARMA IN NEW DELHI

THE INDIAN Cabinet has approved plans to buy 19 Airbus A-320 aircraft for the domestic Indian Airlines. The order is worth $1.7bn.

The Airbus order has so far been only in the form of a letter of intent after the Indian Government changed its mind on its initial decision to buy aircraft from Boeing to replace the ageing Boeing 737 fleet of Indian Airlines.

The Cabinet's decision to confirm the order from Airbus Industrie came after an Indian delegation visited France recently to evaluate the terms of the contract.

A firm order for the aircraft will be placed soon and they will start arriving in India from early 1988. Indian Airlines has the option of ordering another 12.

Pending the arrival of the aircraft, Airbus Industrie has undertaken to provide 12 Airbus aircraft on lease. These will start arriving in India in the next three or four months.

Michael Donne, Aerospace Correspondent writes: British Caribbean Airways, a new airline based in the British Virgin Island, is leasing two British Aerospace Type 146 four-engined regional jet airliners, with deliveries next month and in November.

The airline, registered in Tortola, but with US finance, is being run by management seconded from British Airways. Maintenance will be by Airtech Service of Miami.

Initial flights will be from Tortola in the British Virgin Islands, to Miami, avoiding past practice of changing aircraft in San Juan, Puerto Rico or St Thomas in the US Virgin Islands.

Cyprus aims to reduce deficit

CYPRUS is to try to reduce its fiscal deficit from about 5 per cent of the gross domestic product to below 4.5 per cent this year, Mr Christos Mavrellis, the Finance Minister said, writes Andrea Hadjipapas.

In an effort to raise an extra £2.8m revenue this year, he appealed to the House of Representatives to approve a Government bill that would impose a tax rise on petrol. He said the revenue would be used to improve the island's finance and subsidise key industries.

The island's economy grew by 3.5 per cent last year, inflation was contained at 5 per cent and unemployment remained at 3.3 per cent. He predicted that an improved growth of about 4 per cent would be attained in 1986.

He also said efforts would be made to attract more foreign capital, especially for investment in advanced technology projects and new production fields.

Greek air ticket rules attacked

BY ANDRIANA IERODIACONOU IN ATHENS

FOREIGN AIRLINES in Greece are reacting against a central bank move to enforce complex rules and regulations determining the currency in which tickets bought in Greece must be paid.

Under its treaty of accession to the EEC, Greece should have dismantled all foreign exchange controls by the end of last year.

Central bank officials said that a circular issued in January was intended to stop the speculative buying of drachma-paid tickets in Greece, at prices lower than those abroad.

An artificially low rate of 80 drachmas to $1, set by the Greek authorities, is used to compute ticket prices. This compares with the official exchange rate of 144 drachmas to $1 Airlines have been demanding an adjustment of the ticket rate, which is eating into their profits.

They claim that the bank's controls lead to excessive red tape. The airlines are at present debating whether to pursue their case directly with the Greek authorities, or whether to go through the International Air Travel Association (Iata).

According to the Bank of Greece circular, foreigners buying tickets in Greece with a final destination other than their home country are required to pay in foreign exchange the amount by which the price of the ticket exceeds the economy fare from Greece to their home country.

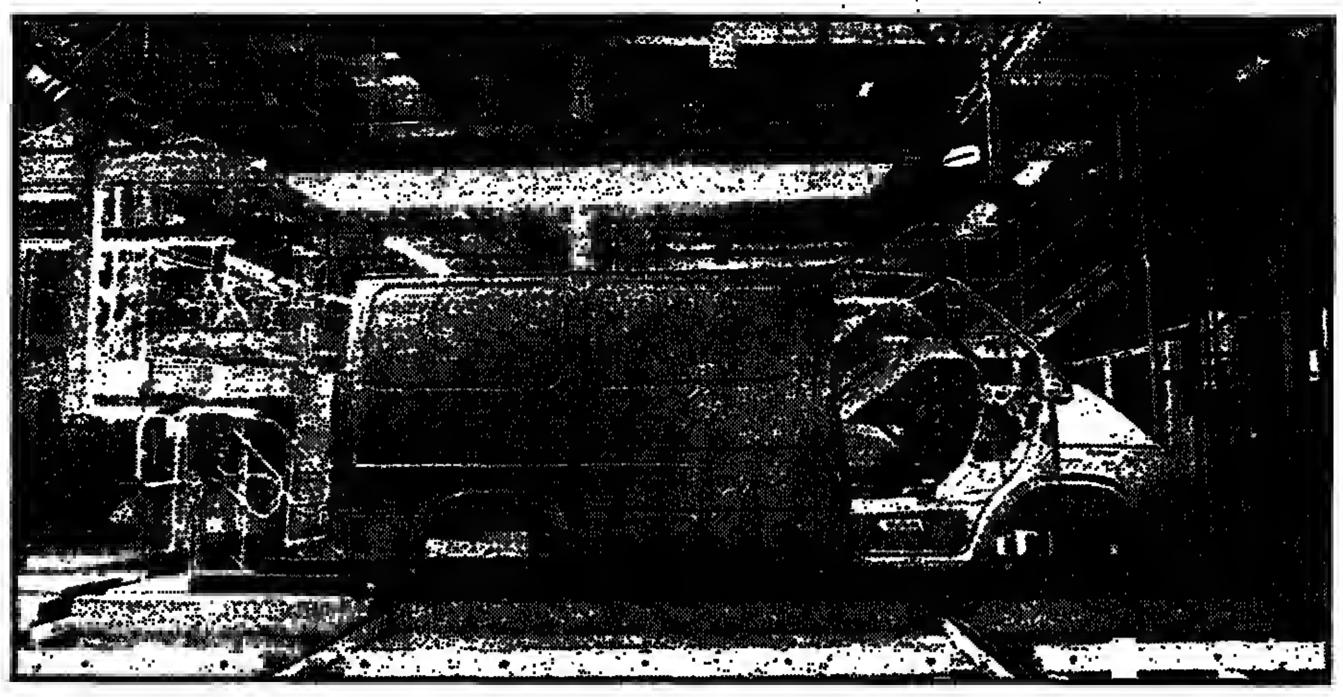
The airline or travel agent must keep a record of the purchaser's passport number and home address.

Another requirement calls for permanent residents buying tickets to Greece for residents abroad, to pay in foreign exchange unless the traveller is a relative. The airline or travel agent must keep a record of documents proving the family connection.

TECHNOLOGY

Kenneth Gooding looks at Ford's new £100m Transit production line

Television plays a van guard role



IT ONLY takes one tiny computer fault for robots to reduce a multi-million-pound vehicle assembly line to chaos. But at Ford's new highly automated Transit van plant in Southampton a novel television inspection system is making sure the robots stay in line.

The computerised inspection system cost only £60,000. But it is vital in protecting Ford's £100m investment by checking that the 125 robots fit the right body panels together.

Ford claims to be the first motor company in Europe to employ such a system. Made by Rediffusion Robot Systems of Crawley, Surrey, it uses five television cameras linked to a computer.

The system is installed in front of a Lamb-Sceptre robot welder. The welder puts together the main body components: floor pan, body sides and crossmembers.

The television cameras check the vehicle components to make sure their shape conforms to the order—be it for a bus, short wheelbase, high roof model or any other of the 36 possible Transit van body variations.

A bar code on the floor pan—like the ones used on goods in department stores and supermarkets—tells the computer to which Transit body variant it belongs. The cameras then inspect the side and rear panels which are about to be welded to the pan to make sure they are for the same variant and that they are correctly lined up.

Stopping mismatched or misaligned vans at this point—before they have begun their journey through the automatic welding line—prevents damage to the robots and expensive production delays.

The inspection of floorpan and sides takes place by floodlighting the components from above. The cameras pick up the reflection of this light and if the picture is wrong in any way the line is stopped so the fault can be put right.

After the inspection, the vans proceed along the main body construction line at Southampton (*and at an identical line at* Ford's Genk factory in Belgium) for 100 metres where 38 robots make up to 1,800 welds.

Once the main sub-assemblies are completed, the vans reach another 100-metre line where a further 35 robots produce the complete bodyshell, often needing as many as 1,400 welding actions.

Not all the robots at Southampton are of the common "articulated wrist" type. Many have programmable heads which control the attitude of the gun head to the workpiece. Manual welding is restricted to the tack welding of assemblies before they are transferred to an automatic machine which makes the structural welds.

Computers play a big part in the process and are used right from the beginning, even in the scheduling stage.

There are two computer systems using a common data base. One schedules the body construction and another keeps track of the vehicle from paint shop to delivery to the dealer.

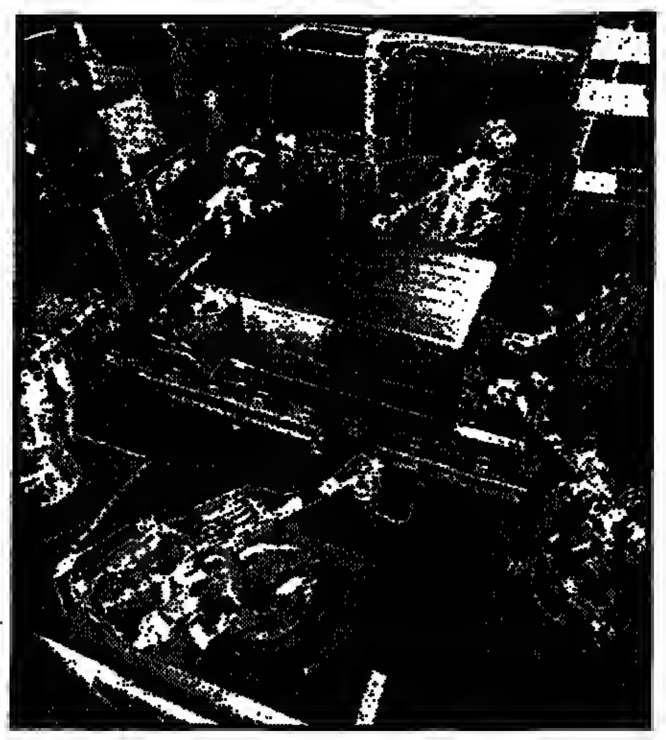
The body shop scheduling starts with a customer's order which is checked throughout the assembly of the vehicle. At specific points the computer system triggers a call for particular sub-assemblies to be made and delivered to the appropriate point on the assembly line to coincide with the arrival of the main body.

Bar code labels are printed at the side of the line and fixed to the components as they are made. The bar code contains the order number and can be translated into the body shape, colour and level of trim required for each van.

The bar code is read by a laser light reader and the information interpreted by the central computer. This means of identification is used throughout the body construction process to select a programme from the robotic welding operations to match those necessary for each version of the van.

Ford says the latest technology was needed to produce a production line capable of assembling so many different types of Transit at the rate of 300 a day.

And the company says the wide use of robots and other automatic welding methods ensures a quality and consistency of build that cannot be achieved in a manual operation. But, just in case something goes wrong with the computer programming, the television inspection system can spot trouble and halt production at an early stage.



FAR LEFT: Television cameras check that the vehicle matches the customer's order before the welding operation begins, thus ensuring a "mis-build" does not occur. The inspection of floor pan and sides takes place by floodlighting from above. Cameras pick up the reflection of this light and if the picture is wrong in any way the line is stopped so the fault can be put right. **LEFT:** The final stage of framing incorporates six Kuka robots to complete the welding process. These automatically change their sequence of operation for the 36 possible Transit derivatives

Hybrid chip has strong cost-cutting potential

Novel circuitry represents an opportunity for small companies to open up a profitable niche market, reports **Peter Marsh**

THE COST of electronics equipment, from robots to office copiers, may be cut by novel "hybrid" circuitry which removes the need for special output chips to link semiconductors with the outside world.

Some of the world's top electronics companies are working on the circuitry, which combines in a single chip two technologies—bipolar and CMOS—which have different uses and which normally need separate semiconductor devices.

The companies include Motorola, Texas Instruments, National Semiconductor and A T and T of the US, Hitachi of Japan and SGS of Italy. Although it is unlikely that the new, so-called BIMOS chips will ever account for anything more than a small proportion of world chip sales, small companies in particular may find that the hybrids represent a profitable niche area.

One such company is Mietec, based in Oudenaarde, near Brussels, which plans to specialise in custom chips mainly produced using BIMOS.

The company, a joint venture between Bell Telephone Manufacturing (a subsidiary of ITT of the US) and GIMV, a bank owned by the state of Flanders, plans annual sales by 1990 of $80m, of which 60 per cent would be due to BIMOS devices.

CMOS and bipolar technologies describe the way the electronic properties of silicon are altered to make electrical switching devices such as transistors.

Most of the world's cheap, mass-produced chips (memories and microprocessors for example) use CMOS circuitry. They can be packed into a small area and normally run on less than 15 volts.

Bipolar chips, in contrast, process information faster and consume more power, often operating at above 70 volts. They are used in processing chips in big computers and to connect CMOS chips to external equipment such as printers and machine tools which draw relatively large amounts of power.

In the absence of simple methods to put both CMOS and bipolar technologies on a single chip, electronics engineers have been forced to use mixtures of chips using either technology. BIMOS chips could change this pattern by enabling designers to use one set of circuits for a variety of functions.

If BIMOS technology becomes entrenched, the number of chips in many common electronic products could be halved. The prospects look especially promising in telecommunications, says Mr Peter Savage, an analyst with Dataquest, a market-research company based in San Jose, California.

Equipment such as exchanges or word processors connected to the telecommunications network, normally require different combinations of bipolar and CMOS chips.

According to Mr Savage, the European telecommunications industry may by 1990 buy BIMOS chips worth about $1.2bn, or roughly half the industry's consumption of integrated circuits.

Few observers can agree, however, on the prospects for BIMOS technology. Mr Dean Winkelmann of Integrated Circuit Engineering, a research company in Scottsdale, Arizona, says BIMOS is "a wonderful concept" but will grow only slowly.

He says sales of BIMOS devices will reach only about $66m worldwide by 1990, a figure that is a tenth the size forecast by Mietec.

The key question is whether semiconductor companies will find the sales potential large enough to justify big changes in the way chips are made.

According to Dr David Milne, managing director of Wolfson Electronics, a chip-design company in Edinburgh producing BIPOS circuits is not difficult. They are designed differently to separate CMOS or bipolar devices.

Semiconductor companies would also have to rethink their production lines, which normally keep CMOS and bipolar devices well apart.

To put both sets of circuits on one chip, an engineer must change the conventional way in which atoms of materials such as phosphorus are inserted into silicon to change its electronic properties. In this way, a small slice of the material is made to act as a transistor.

Different versions of this process, known as ion implantation, are normally used for either bipolar or CMOS circuits. While bipolar circuits require deep implantation, several microns (millionths of a metre) below the surface and so need especially powerful ion machines, CMOS technology uses shallow implantation of no more than half a micron.

According to Mr Dan Hutcheson, vice-president of VLSI Research, a company of technology analysts in San Jose, production of BIMOS circuits will favour companies with advanced computerised techniques for designing application-specific or "custom" chips.

Such chips, designed to meet the particular requirements of customers, are more likely than mass-produced "standard" chips such as microprocessors to require different combinations of bipolar and CMOS technologies.

"BIMOS technology is design intensive because you have to match up the different ways of putting CMOS and bipolar circuits in a chip with the needs of the customer," says Mr Hutcheson.

The production of application specific circuits represents a fast-growing sector of the world's market for integrated circuits. According to Dataquest, sales of such chips will climb to $13.2bn in 1990 from $4.6bn last year. This is out of world sales of integrated circuits due to reach $51bn from $24bn last year.

Torture on the North Atlantic.

Do your computers work at sea?

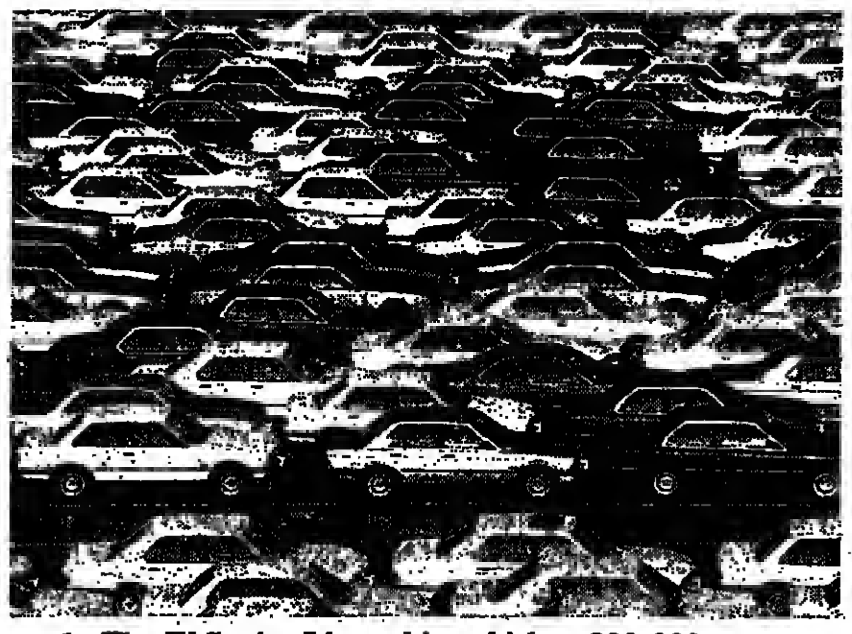
Not long ago, the Wallenius Lines of Sweden asked Sperry this question.

A Wallenius ship carries almost three quarters of a million pounds worth of spare parts. Onboard computers would free some of this capital and rationalise maintenance.

But not any old computers. Wallenius wanted a system that allowed the crew to generate their own applications, and that could be serviced in Japan, Europe and North America. Their choice: Sperry's Mapper system.

The question remained, could the Mapper hardware and software survive an Atlantic winter storm?

It became Sperry engineer Mats Lindfors' job to find out. And he did. The hard way.



1. The Wallenius Lines ship vehicles. 800,000 cars, trucks and other wheeled cargo a year on 30 ships make them the world's fourth largest company in the business.

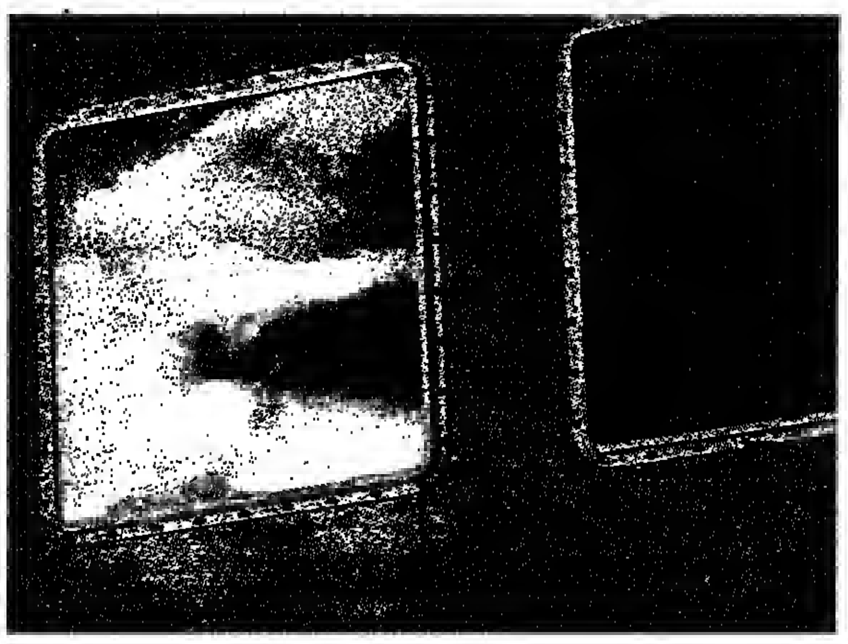
2. The biggest Wallenius trade routes are Europe — U.S.A. and Japan — Europe. The value of one RoRo ship with a full cargo is a staggering £90 million.

3. At midnight on January 19, 1984, a Wallenius ship left Gothenburg, Sweden, with Mats Lindfors and a Mapper computer onboard. Destination: Port Elisabeth, U.S.A.

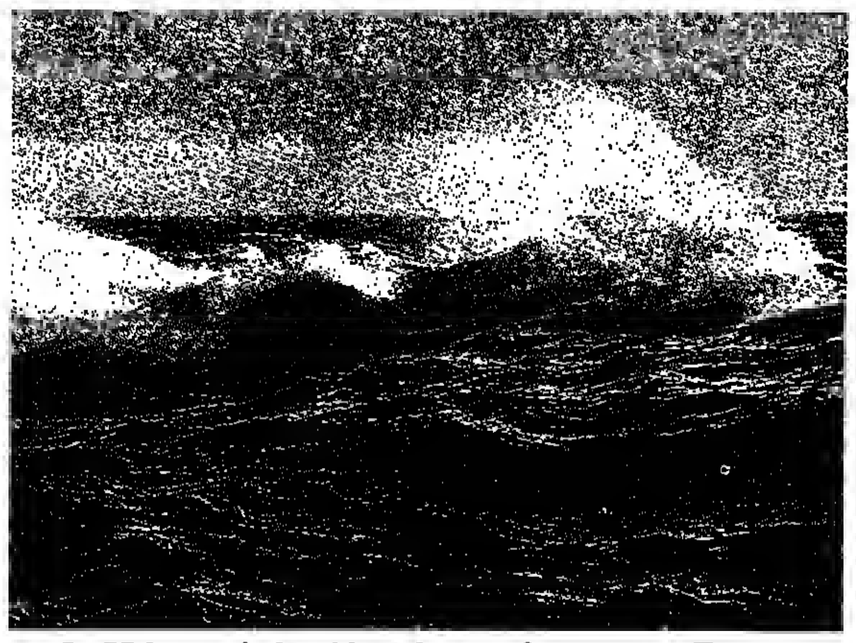
4. "It was going to be a critical first Atlantic crossing for both me and Mapper," says Mats Lindfors. "The outcome would determine the sale of 13 computer systems."

5. Docking in Rotterdam put the computer through its first ordeal. The bow propellers dimmed the interior lighting, but Mapper didn't seem to notice.

6. Salt and damp didn't bother the Sperry equipment either. Nor did the ship's vibrations. Mats Lindfors ran his daily test programs, unaware of what lay ahead.

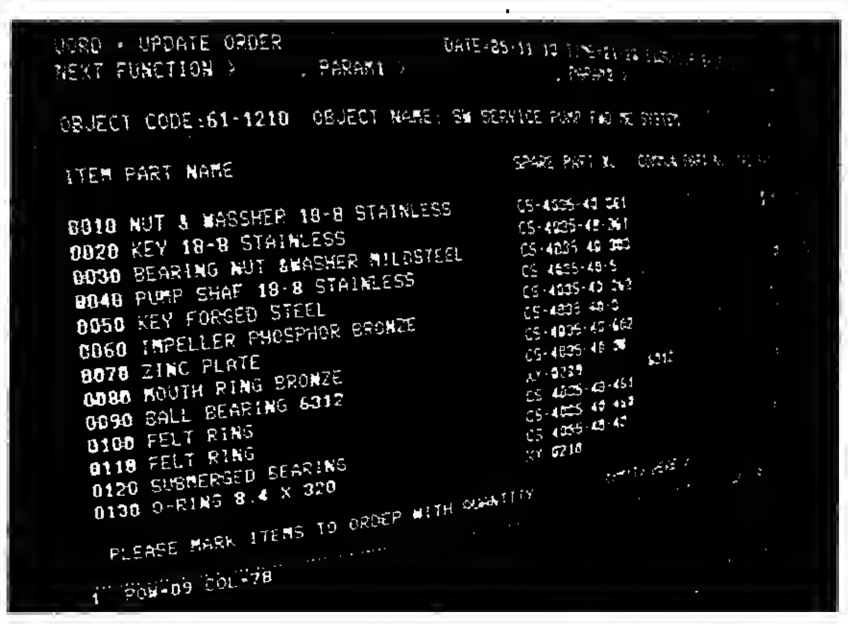


7. Soon the wind picked up and the Atlantic grew mean. The ship began to pitch and roll. On the third day, the storm reached force 11, close to a hurricane.

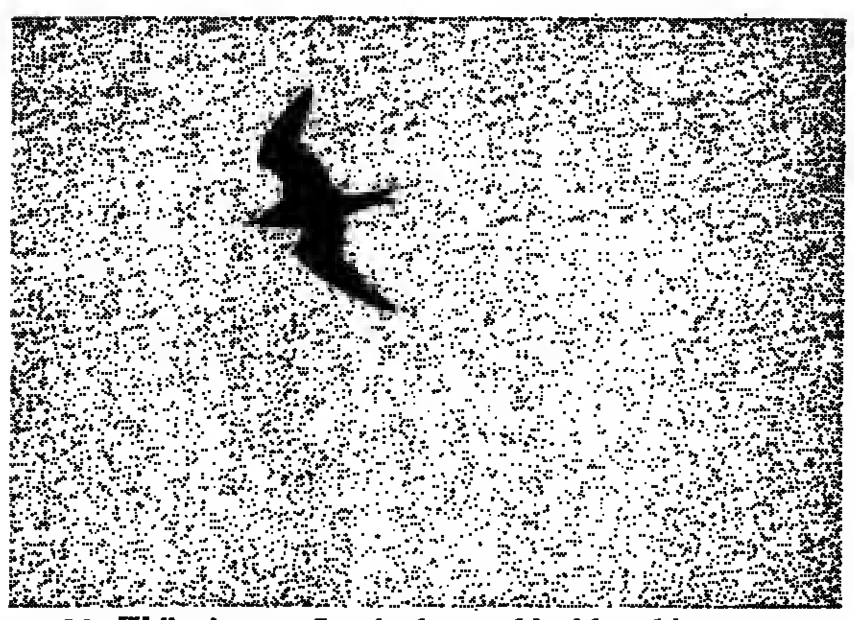


8. 55-knot winds whipped up 40-foot waves. The autopilot ceased to function. In his cabin Mats Lindfors lay stricken by seasickness.

9. The only one to ride out the storm unmoved seemed to be Mapper. Wallenius signed the Sperry order and a hectic period of development work and crew education began.



10. Today, a third of the crew works with the Sperry system onboard ship. Mapper lets them go on building and trying out new applications without having to be programmers.



11. Wallenius are first in the world with a ship-based, multi-user computer system. The next step: Sperry ship-to-shore computer communications via satellite.

Mexico set to press Baker for change in debt policy

BY STEWART FLEMING IN WASHINGTON

MEXICAN Finance Minister, Mr Jesus Silva Herzog, was due to meet US Treasury Secretary James Baker yesterday amid expecations that be would urge the US to accept that his country can no longer fully meet the interest payments on its $97bn (£69bn) of foreign debt.

The meeting promises to be difficult. Senior Treasury officials have made clear that they do not accept the Mexican view that it is time to depart from the well-establisbed formula for dealing with heavily indehted developing countries. This formula involves the advance of new money from the International Monetary Fund and the commercial banks rather than artificial cuts in the interest rates borrowers are paying to levels below those prevailing in the market place.

Mexican officials have refused to give details of the proposals they intend to put to the US, the outlines of which were described in a speech by Mexican President Miguet de la Madrid on Friday.

On the face of it, however, they appear to cut across not only the stance which US officials say they are adopting towards Mexico's deht problem, hot also the hroader revision of the debt strategy which Mr Baker outlined at the annual meeting of the IMF and World Bank in Seoul last October.

This calls for commercial banks, the IMF and the World Bank to advance new funds to heavily indehted developing countries to promote economic growth, and for the countries themselves to institute radical medium-term economic reforms.

Mexico'a position may be strengthened hy the evident reluctance on the part of commercial hanks to commit large sums of money to prohlem debtors.

There are suggestions that some banks are anxious to look at new forms of deht relief and are hoping that hanking regulations can be changed to make this option more attractive.

Ruling on budget law 'to be made by July'

THE US Supreme Court said yesterday it would decide by Jnly on the constitutionality of the Gramm-Rudman law which requires a balanced Federal budget by 1991, agencies report from Washington.

The court said it would review a decision by a special three judge panel that struck down a key provision of the legislation on the grounds that it violated the separation of powers between the President and Congress.

The first $11.7bn (£8.35bn) of spending cuts under Gramm-Rudman, are due to take effect on March 1, bnt are not affected hy the panel's ruling.

The law calls for a deeper, second round of cuts to take effect October 1, the start of the next fiscal year, if Congress fails to rednce the deficit to $144bn. The deficit stands at about $208bn this year.

The panel's ruling left intact a fallback provision requiring Congress to vote annually on a spending-cut figure to meet the law's deficit-reduction goals. But it struck down a provision that assigns the job of ordering those cnts to the Comptroller Generall.

The panel said the constitution bars the Comptroller General, who heads Congress' General Accounting Office, from exercising such executive powers.

Supreme Court turns down extradition plea

THE US Supreme Court Yesterday denied an appeal hy alleged Nazi war criminal Mr John Demjanjuk challenging his extradition to Israel to stand trial on charges he murdered 900,000 Jews at the Trehlinka concentration camp in Poland, Reuter reports from Washington.

Mr Demjanjuk would be the first accused Nazi war criminal extradited by the US to Israel.

In a sperate case, the court refused to review a ruling that stripped Mr Serge Kowalchuk of his US citizenship for concealing alleged wartime atrocities when he entered the US in 1950.

Government prosecutors charged he persecuted Jewish civilians as a member of the Nazi-controlled Ukranian police during 1941 and 1942 in Poland. Mr Kowalchuk, 65, faces possihle deportation to the Soviet Union.

Mr Demjanjuk, a 65-year-old retired car worker from Cleveland, Ohio, has heen held in federal prison since last April, when a judge ordered him to he sent to Israel for trial.

Israel has sought his extradition since 1983

Mr Demjanjuk's attorneys, in arguing against extradition, said jurisdiction over war crimes rests exclusively in US.

Mr Demjanjuk, who faces execution if found guilty in Israel, has denied the charges.

Shuttle commission probes chain-of-command failure

BY NANCY DUNNE IN WASHINGTON

THE US presidential commission investigating the Challenger disaster is expected to investigate a failure in communications between top and middle level officials of the National Aeronautics and Space Agency (Nasa) in public hearings to be beld in Washington today and tomorrow.

Increasingly, reports leaked to the Press have presented a picture of high level Nasa officials giving the signal to launch without vital information possessed by their subordinates. The top officials have said they were not told of the freezing temperatures on the launch pad or of the strong opposition to the launch by engineers concerned about the cold.

According to the New York Times yesterday, middle level officials immediately suspected that the cause of the shuttle explosion was faulty O-ring seals on the booster rockets. But it was more than a week before their suspicions reached their superiors.

Among those scheduled to testify is Mr Lawrence Mulloy, head of the solid booster programme at the Marshall Space Flight Centre, and his colleagues. Mr Mulloy reportedly said to engineers at the company which produced the booster rockets, when they told of their concerns about the cold and the vital O-ring seals: "My god, Thiokol (Morton), when do you want me to launch? Next April?"

Meanwhile a Nasa study has concluded that the temperature of O-rings tha morning of the fatal take-off was about 29 C, about 9 degrees colder than surrounding air temperatures.

Thiokol engineers feared that the cold weather would lead to a failure of the rings, allowing flames to escape from the rocket and cause an explosion.

Reports have been circulating of an impending shake-up in the Nasa top ranks. They indicate the White House is searching for a replacement for Mr James Beggs, the head of Nasa who is on temporary leave, so that the space agency can reorganise.

It may be a year before the next shuttle is launched and there is deep concern in the Pentagon about delays in launching spy satellites

Nasa will not launch again without correction to the O-ring problem, whether or not it turns out to be a cause of the explosion.

The favourite option for a remedy is to install heaters on the launch pads. However construction and testing could take months. While on paper there is an option to launch again in about six month, few officials believe all problems will be resolved by then.

Bermuda call for referendum

By Roger Scotton in Bermuda

THE BERMUDA Government is facing demands for a referendum to decide whether Britain's oldest colony should seek independence.

A private member's bill tabled by Senator Hugh Richardson, president of the upper house, calls for a referendum hy April 7 next year. It will be the subject of intense political debate over the next few weeks.

Government backbenchers have condemned the proposal but Premier John Swan, who favours independence, has said he will not raise objections to a referendum, and is believed to have given the bill his tacit support.

Doreen Gillespie outlines the complex pressures on a new leader

Violence mars Garcia honeymoon

THE PRESSURES of the first six months in office have robbed Peru's 37-year-old President, Mr Alan Garcia, of some of his exuberance. But despite the overnight curfew affecting Lima and the port of Callao, his honeymoon with the people is not over.

There have been mild objections to the state of emergency policed by the armed forces and the suspension of constitutional guarantees from left-wing political parties and labour leaders. But most of the press and the man in the street have accepted President Garcia's action.

Early morning bombings in Lima had been getting people out of bed almost as often as the alarm clock. Recent targets were exclusive restaurants and foreign franchise chains, social clubs and self service shops, as well as political headquarters and hank offices.

Early this month a fire started hy incendiary bombs destroyed half a hlock of shops in the town centre closa to the Plaza de Armas where President Garcia lives and works. Two army officers were shot dead outside their homes and a naval officer kidnapped over the past fortnight.

President Garcia himself is probably among the most unhappy about the need to place the city under emergency control hy the armed forces. One of bis first actions in Government was to name a peace committee to look into the possibility of dialogne with and possible amnesty for radical Sendero Lnminoso (Shining Path) subversives, who hegan their armed struggle against the Government six years ago. The peace committee was recently dissolved.

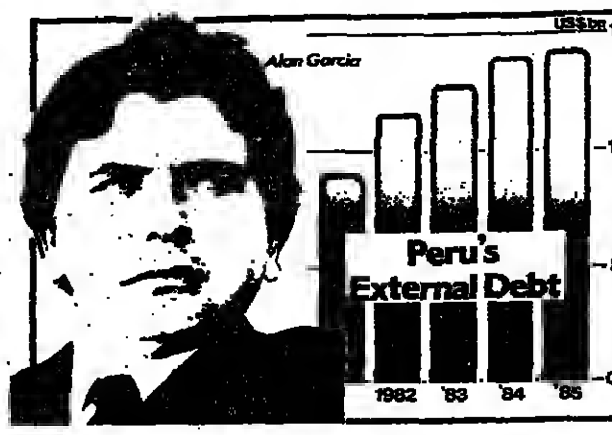
The pressures on the Government are complex and the President, who described the recent violence as "professional" apparently believes that some recent attacks came from "reactionary gronps" unconnected with Sendero. He did not identify them, but his Government bas created several enemies in the past six months.

Actions which will bave inspired opposition have included rooting out some of the big cocaine producers in the Peruvian jungle; dismissing the military head of the emergency zone in Ayacucho and the Chief of Staff of the Joint Command of the Armed Forces; and forcing the retirement of more than 1,000 high-ranking police officers in a drastic reorganisation of divided police forces.

The rescinding of oil contracts with Belco Petroleum of New York (the HNG InterNorth subsidiary) and Occidental Petroleum last August hefore the collapse in oil prices has also caused headaches.

Petroperu, the state oil company, has set up a new subsidiary, Petromar, to run offshore operations, hut it cannot afford hoth to continue operations and to pay off Belco.

Final new contracts are still being negotiated with Occidental while the heads of agreement signed at the end of December are criticised hy all parties including sectors of the Government. Petroperu was originally to sign a new deal with Occidental hy the end of this month but dates are now uncertain.



The fall in oil prices has already knocked $200m off this year's export earnings forecast, thus shrinking even further the 10 per cent of export earnings Peru is offering as payment to its creditors. Peru's total deht is about $14bn and exports last year totalled just under $3bn.

Meanwhile despite the deadline of April 14 for an overdue repayment of $75m to the International Monetary Fund, the Government is spending as much as $500m on reflationary measures to try to push up economic growth from last year's 1.9 per cent to 5 or 6 per cent.

Apart from increasing wages and reducing taxes and utility and fuel prices to indnstrialists, miners and farmers, the Government has set up a $220m fund to promote agricultural production and a $13m fund to repair and equip the fishing fleet.

The central hank is also setting up a rescue fund to refinance ailing companies in the state and private sector. President Garcia maintains the measures are vital to hold the country together.

Meanwhile President Garcia is hardening his approach, threatening to increase repression against suhversion and warning Peru to expect economic reprisals in reply to the Government's decision to limit payment of its debt. It remains to be seen whether his efforts will be successful.

US baseball players pitch for riches

More than 40 stars are in the $1m a year league. Terry Dodsworth reports

THE disinflationary environment which is causing such excitement on Wall Street at present has not extended just yet to the world of baseball.

Baseball stars are among the best-paid sportsmen in the US, earning not much less than basketball players, and more on average than footballers and the gladiators of the ice hockey rinks.

Judging hy some of the increases achieved in this year's salary negotiations, baseball is easily managing to keep up among the leaders.

The most extraordinary award has probably gone to Dwight Gooden, a brilliant young black pitcher from the New York Mets, who, at 21, has signed a contract which guarantees him $1,32m (£942,000) in 1986.

Gooden is an exceptional player, with a devastating fast ball, great control and variety.

In his first two seasons he has smashed virtually every record in the hooks for a pitcher of his age.

Last year, as a still unproven player, his salary was only $265,000, so his new contract—the first $1m deal for a player under 22—represents a 430 per cent increase.

Advertising and special promotions are expected to hring his annual earnings to between $2m and $3m.

Even after his astronomic increase, Gooden will not be the highest-paid pitcher. Fernando Valenzuela, a 25-year-old lefthander who plays for the Los Angeles Dodgers and last year earned $1.2m, bas just signed a drea mcontract worth $5.5m over three years.

Although his record in 1985 was not as sparkling as Gooden's, he is immensely popular with the large Southern California Mexican community, ensuring a packed stadium whenever he plays.

In 1988, he will receive $2m, the first time a pitcher has ever passed the $2m a yeor mark.

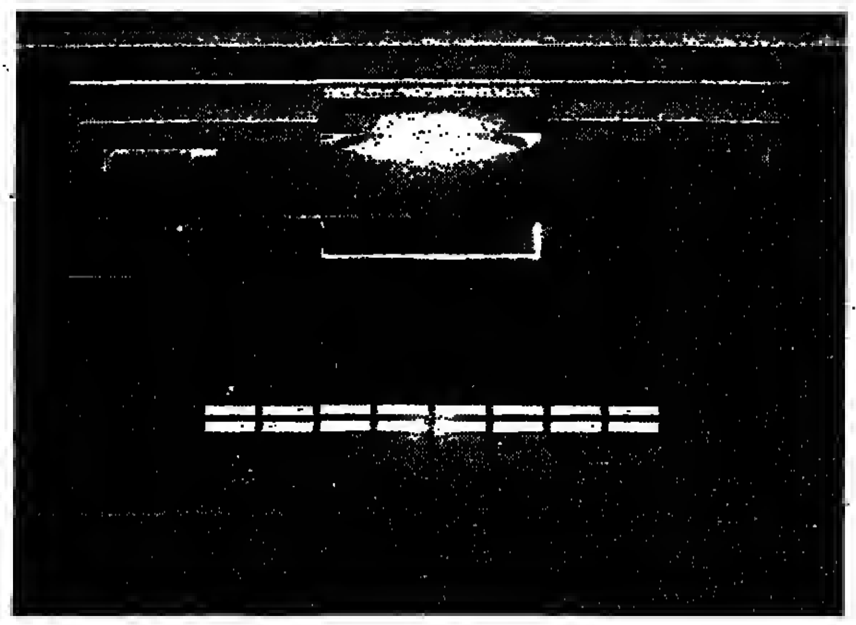
Valenzuela will be joining an exclusive set of stars when he moves into the $2m a year bracket. Last year, only two players, Mike Schmidt of Philadelphia and George Foster of the Mets, both hitters, made over $2m, and only Foster will be receiving this much again in the 1986 season.

On the other hand, it is quite commonplace to sport a $1m-a-year salary these days.

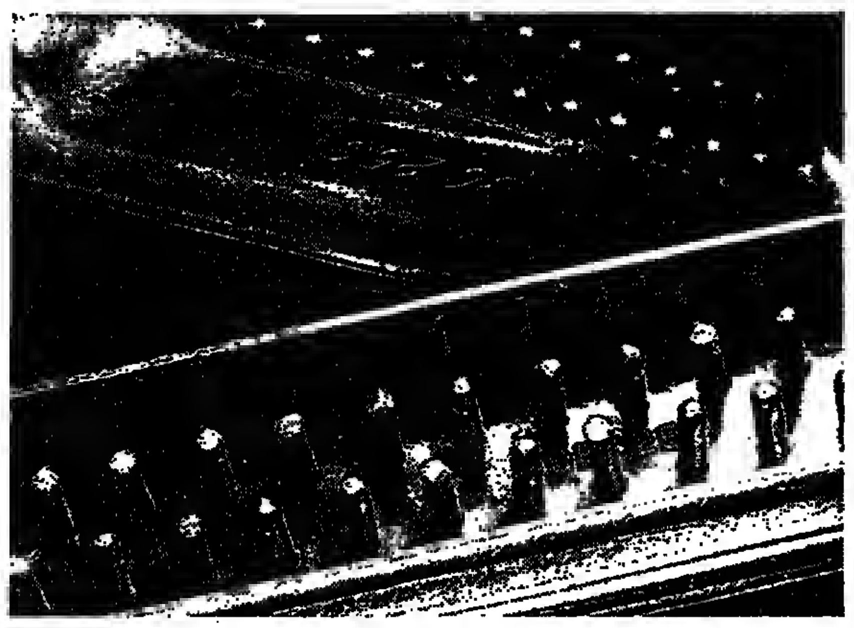
While average earnings last year amounted to around $371,000 in the major baseball leagues, there were more than 40 players making more than $1m, and by the end of this year's negotiations, the number may well be up to 50.

Sperry offers you the first real alternative.

MAINFRAME COMPUTERS. In 1946, Sperry delivered the world's first computer. Today, we have the second largest base of installed mainframes in the world.

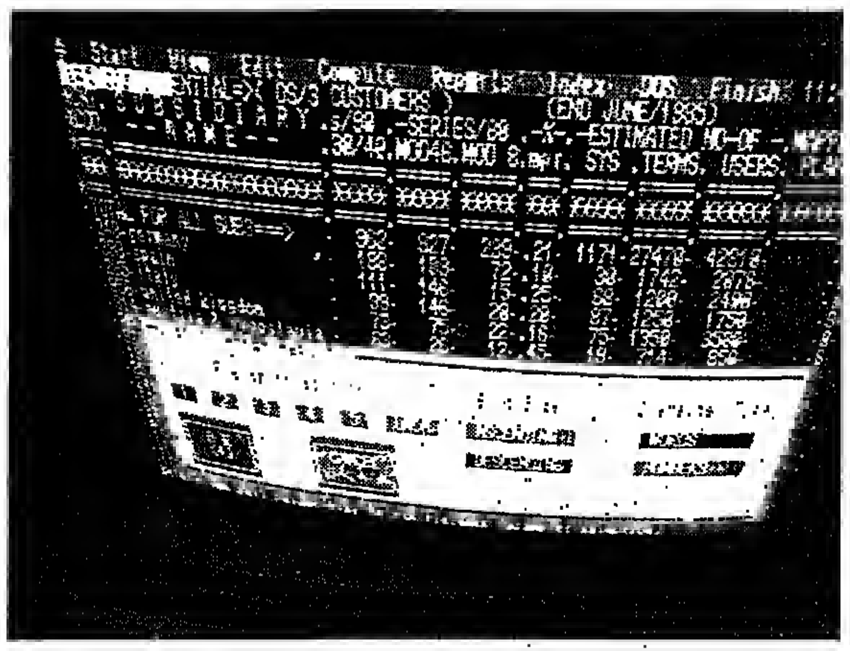


MICRO COMPUTERS. Our fastest growth – 58% last year – is in micro computers, from multi-user PCs up to supermicros more powerful than our smallest mainframes.

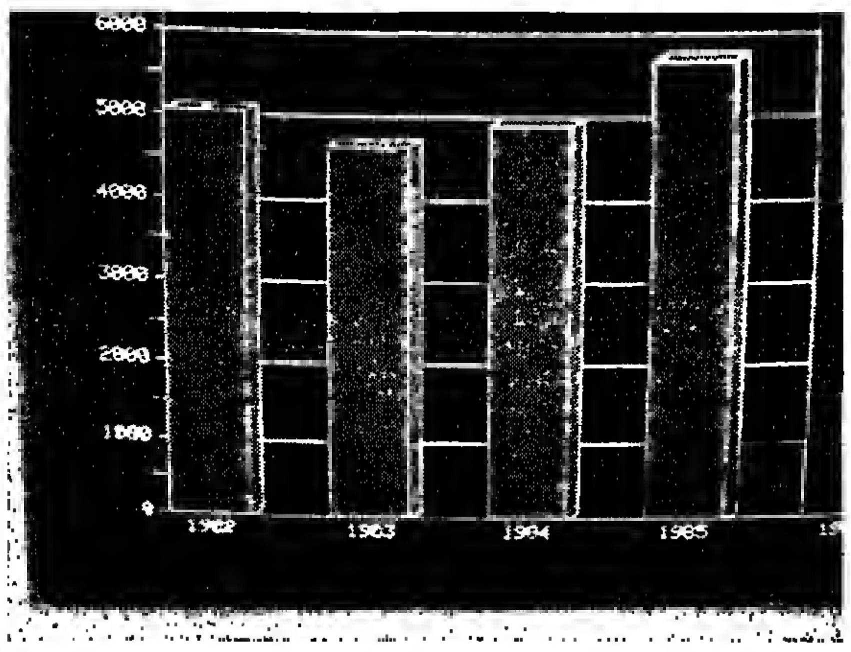


NETWORKS. Sperry built airline and bank networks as early as 1964. We can connect with small computers, big computers and even non-Sperry computers.

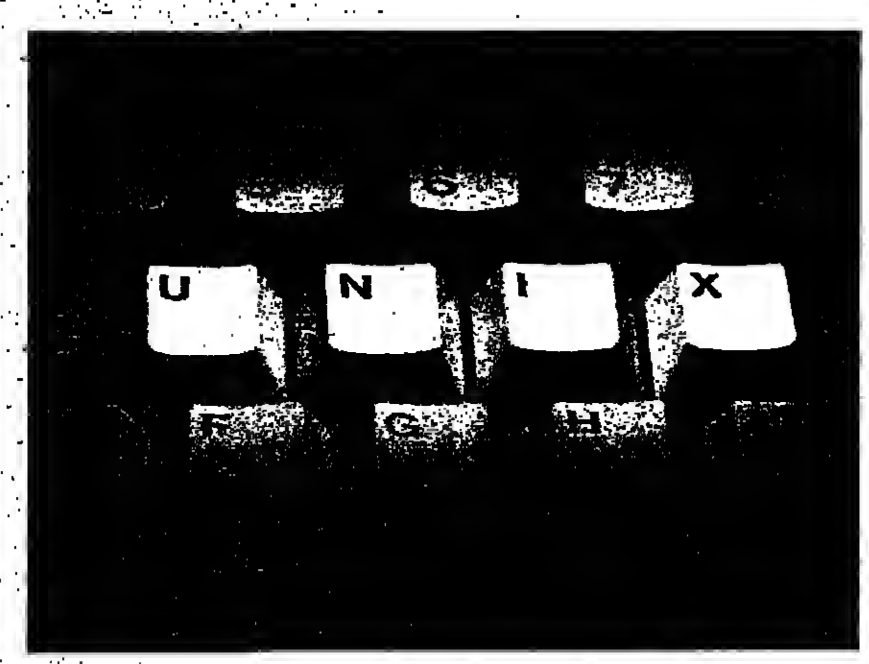
OFFICE AUTOMATION. In the overcrowded battle for the desktop, Sperry has already captured a significant share of the market for integrated office systems – more than most "specialists".



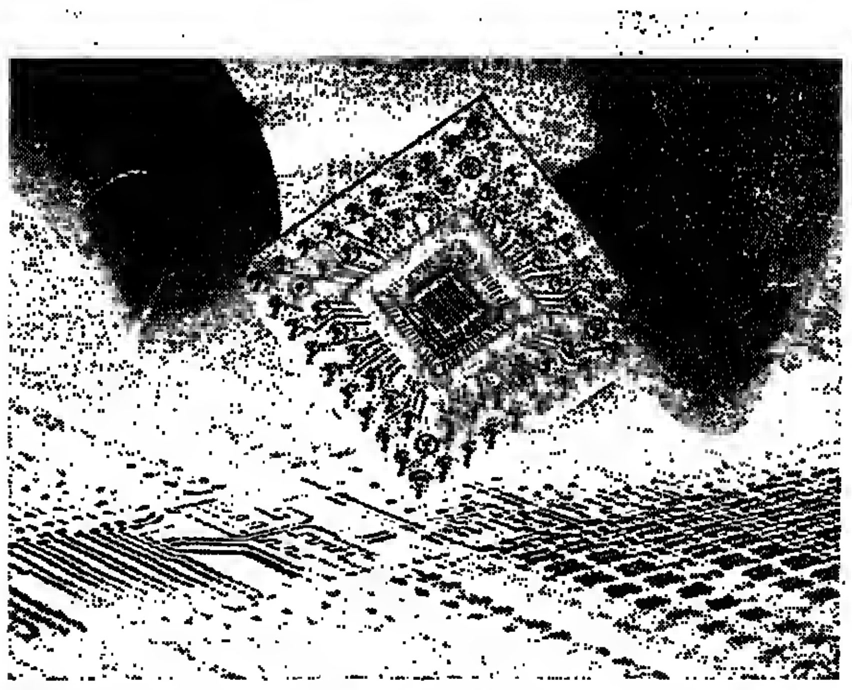
MAPPER. Do you want to develop your own application? This end-user language can turn you into a programmer in no time. 250,000 people around the world use it.



FINANCIAL STRENGTHS. Orders and shipments of Sperry computers are at a record high. Over the last three years, our revenues grew by 50% and profits tripled.

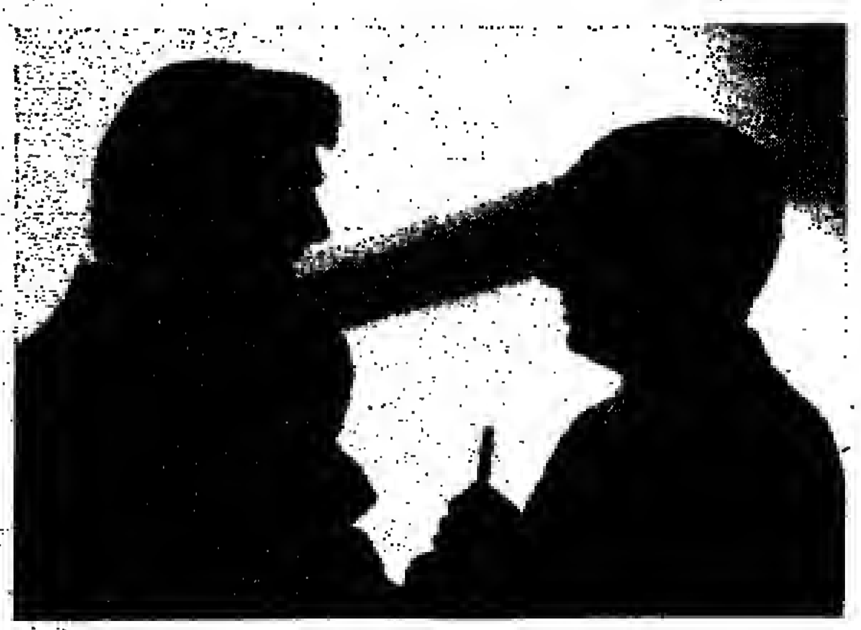


INDUSTRY STANDARDS. A standard operating system like UNIX™ lets machines from competing suppliers work together. Sperry computers, from PC to mainframe, run UNIX.



TECHNOLOGY. Sperry invests 12% of turnover in R&D – highest in the industry. One of last year's 463 projects was to make a PC work with Chinese characters.

SALES AND SUPPORT. Sperry's products are sold and serviced by 77,000 people in 50 countries. Last year, 51,000 users were educated at 36 Sperry Training Centres.



INDUSTRY CENTRES. These 11 international centres create special applications in areas like manufacturing, banking, airlines and artificial intelligence.

UNITED KINGDOM. Sperry is one of the country's largest computer companies with a network of branch offices and over 100 dealers nationwide. Customers include TSB, Abbey National, RAC and the Metropolitan Police.

Companies don't do business, people do.

Right now there is a Sperry person waiting for you to call (01) 961 3616. He or she will send you more information about our company and the products we sell.

Ask for a technical report on the story from the previous page, if you'd like one.

Or talk directly to a Sperry salesperson, a Sperry consultant, or a Sperry training expert.

Whatever your computer problem, our people are interested in listening to you.

Sperry Ltd., Sperry Centre, Stonebridge Park, London NW10 8LS.

SPERRY

WORLD TRADE NEWS

Textile producers worry about absent guest

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

WHEN Mr Charles Carlisle had to stay in Washington instead of visiting Geneva recently, delegates from 50 countries felt as though they had been invited to a dinner from which the chief guest was inexplically absent.

Ambassador Carlisle is chief textiles negotiator for the US and be was expected in the Swiss home of the General Agreement on Tariffs and Trade (Gatt) for informal diacussions on the future of the Multi-Fibre Arrangement (MFA) which runs out this July.

In the talks about the future of the MFA, which governs a large part of world trade in textiles and clothing, the position of the US is vital. It is the world'a largest single market and one to which many low-cost suppliers, such as South Korea, the Philippines, Bangladesb and Brazil, want to send more of their goods.

Despite protestations of a liberal approach to trading matters by Praaident Ronald Reagan at various meetings of world leaders, America is also becoming increasingly protectionist

The less-developed countries (LDCs) were not impressed with the reasons given for Mr Carlisle's absenca from Geneva. They were aware that the US had failed to put together a draft mandate about the MFA's future and believed the ambassador stayed at home in order to find ways to make life more difficult for them in their attempts to wio a sbare of the US market.

They are even less impressed now that Mr Carlisle has ahown bis hand and called on tho bigger producers such as Hong Kong, South Korea and Taiwan to limit their exports to the US. He has also asked them to renegotiate agreements already made—in other words, to reduce export limits agreed two or three years ago.

When the US took such action earlier this year against countries such aa Brazil, Bangladesh and Nepal, there were fears througbout the wbole of the low-cost producing countriea. Now that the US has called Hong Kong to trade talks in Washington next month, those fears have turned into aerious concern.

The MFA was introduced in 1974 in an attempt to allow Western industry time to reorganise in the face of a glut of

President Reagan . . . professing a liberal approach

cheap imports. It was admitted to be a derogation from Gatt rules.

The MFA was renewed in 1978 and 1982 bnt instead of progressively allowing increasfng amounts of imports into their markets, Western countries used the arrangement to cut back growth levels.

In the past year there has been intense pressure for the MFA to be ended or, at the very least, liberalised

Mr Bob Murphy, the US textiles official resident in Geoeva, admits that his country is seeking to strangle tbe surge of imports from the LDCs.

"The average rates of growth of imports over the four years of MFA 3 (1982-85) was 14 per cent for those products the MFA covers. This ia too high."

It is clear tbe US ia looking for a rate of growth nearer last year'a 6-7 per cent but atrong political pressure exerted on the Administration bas prevented the drawing up of a mandate outlining its position.

This is embarrassing the European Commission, wbich negotiates on behalf of all 12 member states. The EEC bas been forced to play the role of pacemaker, whicb it has oot attempted before. The Commission betieves the MFA should be renewed into MFA 4 after July and that it ahouid be more liberal and more flexible.

What the EEC is looking for is an extension of the MFA for "at least" four more years (the US is hinting at one lasting "some four, five or six years") and then for the arrangement to be subsumed into the general Gatt round of trade talks

Such a poticy might have beeo acceptable had the Commission got agreemeot on it before the end of last year. But a rearguard action by European industry, which is not in favour of undue tiberalisation, prevented the completion of the mandate aod the accession of Spain and Portugal bas since made life extermely difficult for the Commissioo.

Portugal, in particular, is proving to be very awkward. It ia arguing that, as a major European producer (and a low-cost one, too), it sbould be allowed to benefit first from any relaxation in the rules towards the LDCs.

Under the treaty of accession, Portugal, like Spain, has been given four years in which to bring its own rules and regulations in line with the rest of the Community.

The LDCs are oot happy with the MFA being linked to the new Gatt rouod.

Barter takes 8–10% of world trade

By Christian Tyler, Trade Editor, in London

BETWEEN 8 and 10 per cent of world trade is being conducted in one form of barter or another, according to an American study published today.

The authors do not claim precision for their estimate. But they argue that figures quoted by the Organisation for Economic Co-operation and Development (OECD) of 4.8 per cent and by the General Agreement oo Tariffs and Trade (Gatt) of up to 8 per cent, do not take account of the spread of countertrade in both developed and developing countries, or its increasing use in sales of armaments.

About half of all arms sales probably now involve some commitment to take goods, such as oil, in part payment.

Barter trade is frowned on by most governments in the industrialised world and has created misgivings even among those developing countries that have resorted to it. Its growth has alarmed economists who see it as a threat to the open, multilateral system created by Gatt

Countertrade in the world economy. Group of Thirty, 725, Park Avenue, New York, NY10021.

French banks in FFr 400m Airbus loan deal

BY DAVID MARSH IN PARIS

A GROUP of Freoch banks is putting together a loan package to help finance development of the narrow-body A-320 Airbus airliner, in line with the French Government's wish to ease the budgetary cost of Airbus financing in coming years.

The loan, being arranged by a consortium led by the atate-owned Paribas iovestment bank, ia relatively small at around FFr 400m (£33m).

It could, bowever, represent the start of increased efforts by the Airbus Industrie conaortium to turn to commercial sources of funds for future programmea, crucially the A-330 and A-340 projects to which the consortium's supervisory board gave the greeo tight last month.

The banking group will be lending the funds at an undisclosed interest rate to Aérospatiale, the French aerospace group wbich is the French shareboIder in the four-nation Airhus Industrie consortium.

The loan will be repaid by a levy of 2 per cent of the sales price of A-320s—currently about $30m (£21m) each—to be paid on the first 130 aircraft delivered by Airbus Industries from 1988 onwards.

This limits the risk considerably to the banks since the A-320 already has more than 250 firm and optional orders.

Tha loan, of about FFr 400m —the exact figure will depend on the actual sales price of the A-320s—will help bridge a key period for Aérospatiale in which revelopment costs for the A-320 would normally be met obove all from government funds.

Aérospatiale said yesterday the Government bad asked the banks to put up alternative hridgiog finance to take some Airbus funding out of the budget for 1985-86.

The loan does not carry a government guarantee. Airbus Industrie, in which Aerospatiale and the Messerschmitt Boelkow Blohm subsidiary, Deutscha Airbus, each own 37.9 per cent, will be looking for a total $2.5bn in financing for the A-330 abort to medium range airliner and the long range A-340.

R. C. Murthy reports from Bombay: India has secured the finest-ever terms for a commercial loan for Air India, the national carrier. Barclays Bank is offering to lead-manage a syndicated Euro-dollar loan for $173m (£123m) at a margin of one-fortieth of 1 per cent over Loodon inter-bank offered rate. Tbe loan is to help buy six Airbus many have provided export A-310 aircraft, for which France, Britain and West Germany have provided export credita totalling $220m.

EEC-Efta deal agreed

BY QUENTIN PEEL IN BRUSSELS

NEGOTIATORS for the European Free Trade Association, have agreed on terms for a new trade deal incorporating Spain and Portugal into their existing free trade zone.

Final details of how to cope with Portuguese textile exports and the Spanish fishing fleet in Norwegian waters were resolved at the week-end, in time for the new arrangements to come into force from March 1.

The four Efta countries worried about Portuguese textiles—Austria, Finland, Norway and Sweden—have agreed that any consultation about limiting sales should be carried out in the six-monthly co-operation council meetings.

Portugal had resisted any suggestion that a special consultation procedure should be set up, singling out textiles as a problem area.

Tha question of Spanish fishing in Norwegian waters around Spitzbergen, tbe other outstanding question, has simply been left out of the new agreement. Proposed concessions for the Norwegian fishing industry have accordingly been cut back by some 25 per cent.

The new agreement means that Spanish and Portuguese farm products will now benefit from the same concessions granted by Efta countries to the 10 other EEC member states.

For industrial products, Spanish import tariffs will be lowered over a period of up to seven years, as for the Ten, while Efta duties on Spanish exports will also be gradually phased out.

Norway contractors win NKr 2.5bn platform order

BY OUR OSLO CORRESPONDENT

A NKr 2.5bn (£217m) contract to build the concrete structure for the Gullfaks C oil platform has been awarded by Statoil, Norway's state oil company, to Norwegian Contractors, a partnership of the country's three largest civil contractors.

Statoil said this was the largest single contract obtained by Norwegian industry and by far the biggest and heaviest structure in the North Sea. It includes some of the mechanical outfitting and towing out of the platform to the North Sea in the summer of 1989.

The deck contract, expected to be worth about NKr 1bn, will be awarded to one of three competing Norwegian yards, according to Statoil. It stressed that foreign yards will be invited to compete for several deck module contracts.

There was no international competition for the concrete structure. Statoil said that a concrete structure was preferred to steel for economic reasons and added that "no European firm outside Norway had water facilities where such structures could be built."

Gullfaks C, with a capacity of 245,000 barrels of oil a day, will be at a water depth of 216 metres in the northern part of the North Sea. It will be the last of three platforms built for the Gullfaks field.

The A platform is to come on stream in 1987, the B platform in 1988, and the C platform in 1990. Statoil, the operator, has an 85 per cent share in the Gullfaks field. Partners are Norsk Hydro with 9 per cent and Saga Petroleum with 6 per cent, both Norwegian companies.

The concrete structure of C platform will be 262 metres tall, including a 22-metre "skirt" underneath which is to be sunk into the soft sea bed. From the sea bed to the top of the drilling derrick Gullfaks C will measure 340 metres.

Work on the Gullfaks C platform started in 1985, and several engineering contracts have already been awarded.

UK groups form joint pump venture in Brazil

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LUCAS CAV and Concentric Pumps of the UK have formed a joint company in Brazil to market a new lubricating oil pump developed by Concentric for engines fitted to Ford's Brazilian-built Cargo Ram trucks.

The joint company will supply Ford of Brazil with pumps from the Lucas CAV factory in Sao Paulo from July this year. The partners expect the contract to be worth £5m a year by 1990.

The pumps are fitted to the 6.6 litre and 7.8 litre engines Ford developed for the Cargo Ram trucks which incorporate technology from Ford companies.

Concentric will be supplying pumps from the UK until the Brazilian-produced versions are available.

Taiwan revises Toyota plan

BY ROBERT KING IN TAIPEI

TAIWAN has come up with revisions to a plan for a proposed Toyota plant to make compact cars. The new plan will require only minimal exports.

A disagreement with the Taiwan Government over export requirements two years ago caused Toyota to pull out of a joint venture with local manufacturers to produce as many as 300,000 small cars.

The proposed new venture, however, is on a much smaller scale than the previous one. Under the new plan, the Toyota joint venture with Kuo Zui Motors will produce only 40,000 cars in 1991 with export rate set at 12.5 per cent.

During the first two years of production no exports will be required.

Toyota is expected to reply to the Government's revised proposals this week.

FINANCIAL TIMES SURVEY
Tuesday February 25 1986

This oil-rich state survived a stormy birth 25 years ago but anniversary celebrations are clouded by new political and economic problems

Diversion from despondency

By Richard Johns

CELEBRATIONS to mark tha 25th anniversary today of Kuwait's independence started nearly 3½ weeks ago. Even before the official lnauguration ceremony, the number of national flags probably exceeded the local population.

The blaze of coloured lights will have significantly increased the subsidy paid by the state, which covers more than 90 per cent of electricity consumed by the privileged citizenry—and the foreign population which outnumbers it by almost a third.

The Government decided to mark the occasion in the most prolonged, spectacular way as a morale booster and a diversion from the despondency that has increasingly pervaded the state over the past five years.

Misfortunes

The Iraqi-Iranian conflict on the state's borders is into its sixth year. The crash of the Souk at Manakh, or unofficial stock market, and the unresolved problem of the tangled legacy of debt are still paralysing business activity 3½ years after the bubble burst. Terrorist bombs, and the threat to internal stability from militant Shia forces inspired by Iran have given the Government no choice but to throw a claustrophobic mantle of security over the state.

As if this catalogue of misfortunes was not enough, the price of nil—source of 90 per cent of the state's revenue—has plummeted.

It is a perverse coincidence that a clond should have been blown over the festivities by an Iranian offensive, marking Ayatollah Khomeini's revolution seven years ago, which has brought the conflict closer to Kuwait'a borders than ever.

The rumble of gunfire could be beard in Kuwaiti metropolis, 25 miles away, as Iraqi forces sought to contain Iranian invaders. Initially, at least, there is no overt sign of apprehension among officials or the population at large. That may bave bad something to do with a tendency to believe tha Iraqi version of events carried by the local media.

Attacks on shipping bound for Kuwait have proved an aggravation which Kuwait bas learnt to live with. But the latest Iranian penetration of Iraq's defencea will bave removed any complacency abont the inviolability of Kuwait's borders. It will also give added urgency to its support for diplomatic efforts to end the conflict, even if they seem as futile as ever, and will stimulate greater co-ordination with the conservative fellow member states belonging to the Gulf Co-operation Council.

In the early days of the GCC, Knwait was the most relnctant of the aix to entertain the concept of military collaboration. Now, as the GCC front-line state, it ls as enthusiastic as any, not least about tbe Peninsula Shield rapid deployment force to which it has contributed a battalion.

It remains atrongly committed to exclusion of tbe super-powers from the Gulf and a balanced relationship with both political worlds. Thus, Kuwait approved the declsion of the Oman and the United Arab Emirates to establish diplomatic relations with the Soviet Union.

Having encouraged South Yemen's *rapprochement* with Saudi Arabia and Oman under the leadership of the ousted Ali Nasser Mobammed it bas watched developments in South Yemen with concern, however.

With the Gulf conflict contained and President Saddam Hussein'a regime maintaining its grip on Iraq, internal stability and security has been a greater preoccupation over the past year than any potential direct military threat since the bombing of the US and French embassies, and Kuwaiti installations at the end of 1983.

Having sentenced 17 Shias, including some of its own long-term residents, the Government has sbown resolution in the face of terrorist acts related to the sentences, and inspired by Tehran. The attempt on the life of Sheikh Jaber al Ahmed, the Emir, and bomb explosions at the two seaside cafes last summer have induced a sense of siege.

This is the most cohesive society and liberal state in the Gulf and has not deserved tn be the target of such random violence. It would be surprising if beightened security and surveillance had not initially created some tensions between the majority nf tha Sunni sect and the Shia minority, few members of which would have responded favourably to Ayatollah Khomeini's revolutionary fervour. The attempt on the ruler's life tended to consolidate support for the regime, and suspicions between tbe two communities bas eased.

For the ruling Sabah dynasty and the Government, the political repercussions of the Souk al Manakh crash, at a time of steeply declining oil revenne, have been a greater worry. Identifying net obligations buried beneatb the pile of post-dated cheques with a face valne nf 27m Kuwaiti dinars (tne equivaleot of about $90bn), was bound to be a laborious process.

Liabilities of those wbo lost out in the biggest speculative bonanza the world has seen, amounted to some KD 7m. Tha difficulties in disentangling the threads were enormous. Nevertheless, the Ruling Family must regret that a solution was not found before collateral in the form of real estate and shares on the official stock market bad lost mnch of their value.

The gambling spree might never have bappened if the state bad not baled out the losers in 1977 following an earlier, though relatively modest, bout of speculation in shares nn the official stock market. The assumption is that it will carry the cost again so some big debtors who could cover their debts are biding their time.

That is hardly fair, and can only cause resentment among those who did settle their obligations, the 200 or so operators who have been forced into liquidation, and citizens who did not play the game. The state has paid about KD 2.5bn—almost the equivalent of one year's public expenditure. The eventual cost could be KD 4bn to 4.5bn, apart from any low interest deposits which might be required to support the banking system. This is saddled with a large proportion of non-performing loans and could need a decade or more to recover from the crisis.

The most controversial aspect of the affair has been the involvement of members of the ruling family. Last May the National Assembly enforced the resignation of Sheikh Salman al Duaij al Sabah, the Minister of Justice, who denied using his office for personal gain but admitted that his 12-year-old son had received about KD 1.5m from the fund established to bail out "small investors."

Late last year it was revealed that Sheikh Khalifa Abdullah al Khalifa, a young nephew of the ruler, had received KD 278m of the KD 744m extended in loans by predominantly state-owned financial institutions to indebted investors. Substantial collateral was provided by senior members of the ruling family — ultimately perhaps tbe Emir himself. The Government defended the loans on the grounds that failure to assist the big speculators would bankrupt other Kuwaitis.

The National Assembly elected last February has verged on confrontation in its attitude not only towards the Government but also towards the ruling family, which holds the key posts in the cabinet. That was evident in the bounding last year of Sheikh Ali Khalifa al Sabah, the Minister of Oil and Indnstry, over the activities of Kuwait Petroleum Corporation's US affiliates.

The friction last summer and attacks on Sbeikh Salman deeply disturbed Sheikh Saad al Abdullah al Sabah, the Crown Prince and Premier. His long absense abroad and failure to appear before the assembly since the end of the summer recess may not be wbolly becanse of ill-health.

Since the detailed acconnt of loans given to debtors was provided by Sheikh Ali (wbo bad the finance portfolio until a year ago) militants in the assembly have quietened. There is concern that too mucb provocation conld lead to tbe dissolution of parliament by the Emir wbo, as Crown Prince, was responsible for its suspension in 1976. That is unlikely, but many Kuwaitis believe that the unwritten covenant dating back to the original settlement in Kuwalt of families from the Arabian heartland wbereby the Al Sabahs govern and leave business activities to others has been broken.

It seemed significant that deputies representing the poorer tribal elements—the most loyal supporters of the ruling family—should have opposed proposals for reducing the massive subsidy for electricity because of the large sums spent on saving feckless speculators.

The assembly as a whole has been resentful that the state's general reserves have been used for this. In the last two fiscal years, capital as well as the interest from the state general reserve has been drawn upon to finance budget deficits. At the end of June it was put at KD 11.43bn, a reassuring figure but one which disguises that it is the total of the original face value of assets and is made up partly of assets yielding negligible income, including the state's sharebolding in local companies and loans to Arab governments, not the least subventions made to Iraq.

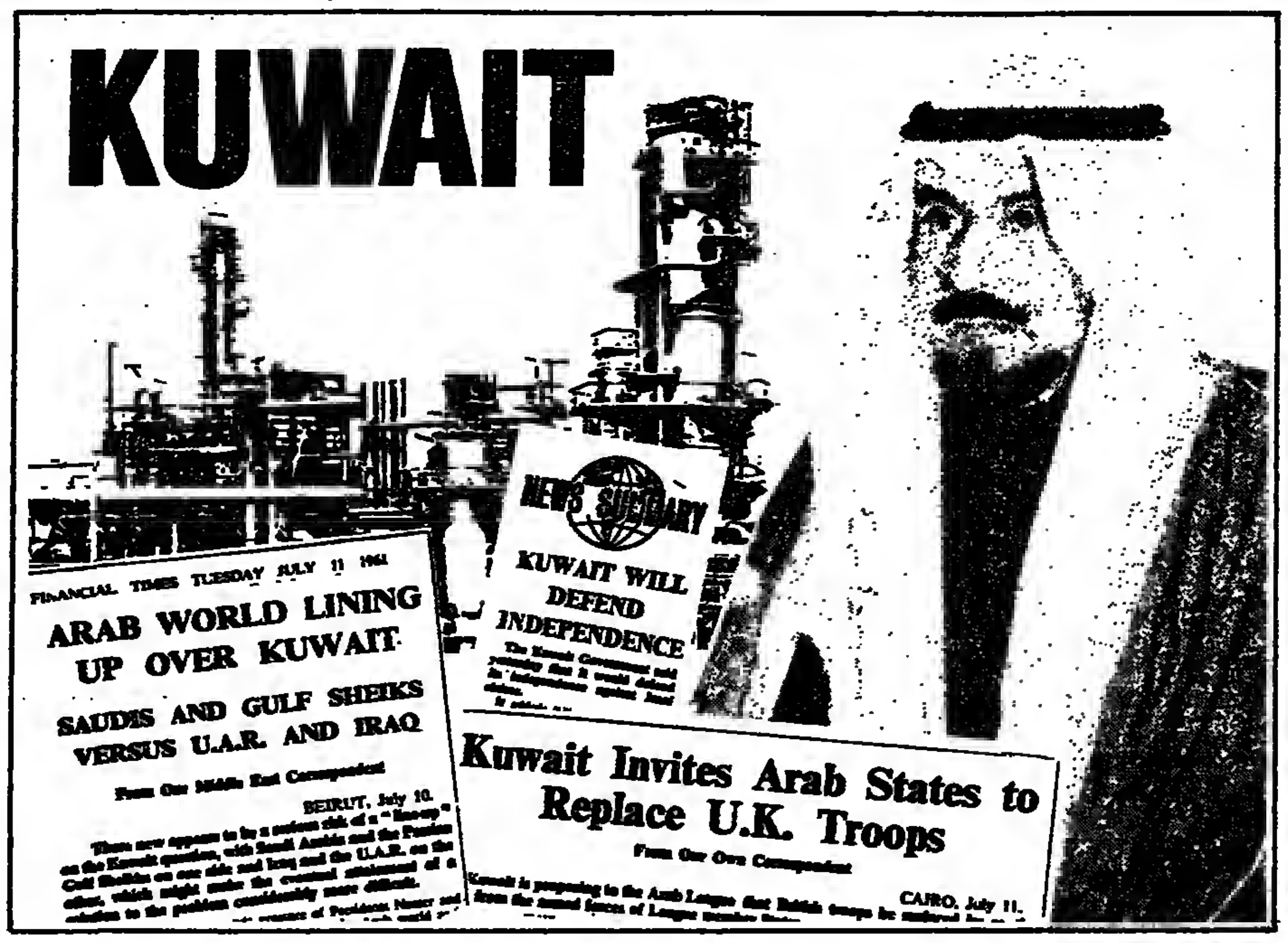
Its worth has been further reduced by inclusion of loans and sbare purchases made in the Souk al Manakh bale-ont. Many suspect that better assets in the Reserve Fund for future Generations (assessed as being worth KD 11.8bn in mid-June and untouchable by law until the next century), are being transferred to provide dollars needed to finance state spending.

Kuwait is in a better financial position to endure several years of depressed oil prices than any other member of Opec but its financial cushion, if the RFFG is to be kept sacrosanct, is far thinner than assumed.

In response to the collapse of oil prices, departments have been ordered to cut spending by 15 per cent. In practice, a $20 a barrel price would mean a 28 per cent reduction in revenue according to bankers.

A redeeming feature is that austerity should belp fulfil the basic objective of the 1986-90 five-year plan—the reduction of dependence on expatriate workers, with the longer-term aim of bringing an even balance between Kuwaitis and foreigners in the state.

Meanwhile, the projected annual growth rate, of 4.6 per cent, can only be seen as an expression of bope.



Graphic: Phil Hunt

Memories of the difficult birth of a nation a quarter century ago for Sheikh Jaber al Ahmed, today's leader

CONTENTS

Optimism tied down with preconditions

Stock Market
KATHY EVANS

THERE COULD be a rising market in Kuwait this year—if a lot of preconditions are met. "If the bank results are better than expected, if parliament's recommendations on the Manakh debts are accepted and people receive compensation on their shares and if the oil price problem does not cause too many spending cuts, I would forecast a rather bullish market in 1986," says one of Kuwait's leading marketmakers.

And he can add a lot more "ifs" and qualifications to this positive view of the stock market.

But just in case, he—like almost everyone else in Kuwait—is concentrating on building up his international activities. Most people in the financial sector this year are leaning over backwards to emphasise to visitors their declining reliance on the local market.

Four years after the mountain of post-dated cheques totalling $94bn was discovered following e price crash in the stock markets, Kuwait's financial scene is still picking itself off the floor, and trying to think positively ebout the future. Last year prices on the official market fell by 45 per cent, wiping $7.5bn from stock market values. The question everyone is asking is whether the bottom has finally been reached.

For the Government, the political problems which have ensued are equally alarming. It has already lost three cabinet ministers over the issue of the Manakh, and now the scandal has reached the upper limits of the ruling Sabah family. Public money may also still be needed to be spent to bail people out, for the crisis has touched so many. (Some 30,000 families held share in Kuwaiti closed companies, for example.)

The need for a bail-out seems obvious politically, but financing such efforts in the face of a parliament which awkwardly wants to know everything, is likely to herald more problems. Moreover, these rescues are required at a time when the Government is facing a near 30 per cent cut in revenues because of the oil price crash.

Kuwait's democracy has both refined and delayed many of the solutions put forward. Without parliament, there would not have been the national cohesion to agree on all the formulae, most of which seem unequal and unfair to those who paid their debts.

When solutions do emerge, the situation of many companies and individuals has worsened in the meantime.

Perhaps the most controversial aspect of the problem which the Government faced was that loans were handed out to about 200-odd people totalling some KD 744m, financed by withdrawals from the country's general reserve. Some 17 borrowers accounted for 80 per cent, or KD 597m, with the largest borrower being Sheikh Khalifa Abdullah al Khalifa al Sabah with KD 278m — more than the national debt of Jordan.

These loans were designed to prop up people who had assets but no liquidity. The young sheikh was the focus of a massive family rescue scheme, with parcels of land pledged as collateral and other personal guarantees from such people as the Sheikh Sabah al Ahmed, the Foreign Minister. Figures provided by the Finance Minister, Mr Jassim Khorafi, show that of the original KD 597m extended to the large dealers, current collateral values stood at only KD 256m.

The Government came in for a lot of criticism over this issue, but senior finance officials say that at the time there was no alternative. "By paying Khalifa's creditors KD 300m, we solved KD 4bn of debt," one official says.

There are schemes to deal with the various kinds of companies—the closed company shares, the Gulf companies, and then the official market.

The first priority, though is protecting the banks. Good results are vital for the future of the official market, as bank shares are the blue chip stocks, and the recent increase in their share prices may lead the market upwards.

The problem is that the market knows how flexible the Central Bank is being on the question of loan loss provisions. Therefore no matter how good the results are, they may not be believable.

If shareholders of closed and Gulf companies receive sufficient bail-outs, then the injection of funds will translate into an improvement in the official market. Parliament is haggling over the levels at which shares will be valued — whether at par value or net worth. The first will cost nearly KD 200m, the other KD 750m. The Assembly is in favour of a compromise on the expensive side.

The problem is that only a few of these closed companies are viable, let alone profitable. A report by Al Shall Economic Consultants revealed that of 63 closed and Gulf shareholding companies, five lost more than 100 per cent of their capital, 12 lost more than 75 per cent, 20 more than 50 to 75 per cent, and only six made a profit. Shareholders of companies clearly bankrupt will get nothing.

Compensation schemes for Gulf shares carry far more complications, for none of the companies are registered in Kuwait. The plan is to form a Kuwaiti holding company, then decide which to liquidate. The process of liquidation may prove difficult, for all operate under other emirates' jurisdiction.

There is also talk of the need for mergers among these 45 companies. However, securing agreement for mergers between two UAE ventures for example, registered under different rulers, may prove more prickly a process than Kuwait realises.

The intention is that the holding company will buy the companies at their real worth.

While this process is underway, the country's official stock market will be undergoing a transformation. Three companies are already being liquidated, and a lot more are on the cards. It is too early to say which ones can be "repaired" and which will not survive this clean up, but one consultant believed that this time next year, the Kuwait stock market would have lost 30 per cent of its listed companies, currently numbering 47.

Others argue that the clean up cannot be that deep, for official market shares constitute 50 to 60 per cent of bank collateral. Liquidating a company eliminates collateral, a prospect that no-one wants to face.

One leading analyst Mr Jassim Saddoum says: "Unless we have the clean out, people will continue to think that all the companies are shaky."

One scheme which is under discussion to overcome this dilemma is for the Government to buy some of the shares of the official market companies in difficulties. However, the Chamber of Commerce opposes all the schemes for bail-outs, on the grounds that such plans would lead to wholesale nationalisation of the economy. The Government owns more than 50 per cent of the official market shares already.

The Jahra Gate to Kuwait City and the Ministry of Finance building

Fraught talks on loan-loss provisions dragging on

Banking
KATHY EVANS

IT IS the results season in Kowait, and for the fourth year running the period is marked by fraught negotiations between the Government, the Central Bank and the financial sector. In years past, the Kuwait banks were the first in the Gulf to announce their year-end figures, but this time round, the outcome is expected to take several more weeks.

There are several issues under negotietion. The first is provisions for loans which bave turned sour as a result of the stock exchange crisis in 1982. Total bank credit to the private sector is just over KD 5bn (£2,000bn), and non-performing loans are estimated variously between KD 1.3bn and KD 2 bn.

In the past, government officials such as finance minister Jassim Khorafi have put the figure much higher. Apart from those loans on which interest is not being paid. there are some which are backed by shares and real estate whose values bave dropped by nearly balf in the last year.

On the first category of loans, the Central Bank bas asked the banks to make 100 per cent provision for those borrowings which have not been serviced for more than one year. Loans past due 180 days and more must carry a 45 per cent provision. On top of that, there is a general provision on loans over KD 20,000 of 5 per cent.

The capital and reserves of the commercial banking system are KD 813m. Hidden reserves, built up over the years, are believed to amount to KD 500m, bringing the figure to a total of KD 1.3bn. However, more than half the hidden reserves are believed to be beld by the National Bank of Kuwait.

As the longest established bank in the country (it opened its doors in 1953), it has had time not only to build up its reserves but also win the cream of Kuwait's banking customers for itself. This would leave just KD 250m for the other five banks in inner reserves. Finance Minister Khorafi has already said that the banks will need KD 500m in government support.

Given the mathematics of the situation, the Central Bank has opted to take a flexible attitude towards the banks over loan loss provisions. Banks will therefore, it is believed, be allowed to write off their provisions over a three-year period. Only after using up their inner reserves will they qualify for government support.

The extent and nature of government support to the banking system has been under discussion for nearly a year. The delay in approving the support has depressed the financial sector over the last year, and comes too late to have affected the 1985 balance sheets.

Before the results come out, however, money will have gone in. But the impression is that the result will have been achieved by manipulation.

There is, however, no concern over the future of any bank, for the commitment to support the banks has been given by the highest levels of government.

The most frequently talked of scheme is for the KD 500m to enter the banking system in the form of soft term deposits, say at a rate of 4 to 6 per cent a year interest. Most bankers point out that this is not much below the market rate.

At present, there is around KD 381m of government deposits in the system at normal rates, so the net gain will only be around KD 120m. After a long tussle with Parliament, it has been decided that approval of the National Assembly is not required, and that the deposits will be administered by the Central Bank.

However, Parliament, which tends to view bank board directors as the "godfathers" of Kuwait, could insist on some element of government control over the banks which are recipients of government support.

Another scheme to assist the banks is for the non-performing loans to be off-loaded into a holding company and refinanced over say a 10-year period. This company, generally referred to as the Asset Management Company, would be funded partially by the commercial banks and partially by the Government. In this way, the bank balance sheets would be "cleaned" overnight, allowing the banks to start off again on a more positive, forward thinking note. Moreover, the banks will not be forced to dump assets in the market, depressing prices further.

This scheme would, however, require public money and, as such, would have to be debated by Parliament. At present, the idea appears to have support in the Assembly. The banks are talking of a 25/75 per cent ratio, with the Government taking the larger share, but they could agree to settle on a 50/50 entity.

Given the recent indications of government intentions to cut unnecessary spending, this scheme could become a victim of the oil price crash. Bankers argue though that it is not only the money which is at issue, but the administrative capability which the company would offer. The entity would be staffed, it is theorised, by bank officers skilled in work-out situations.

Such skills are in short supply in Kuwait, though the need is paramount. Some borrowers are complaining that decisions on re-scheduling take so long to secure from bank executives and that the banks simply do not have sufficient people to determine the exact financial situation of each client.

"If you have influence at board level, you can get your deal cut," said one borrower. Some banks are responding to the problem. NKB, for example, has just taken on another 25 loan officers. Even so, no matter how many credit analysts the banks employ, there still has to be a policy that those considered irretrievable should be sent to court.

That decision has not yet been made by most boards. The Government is, in fact, pressuring the banks to take it easy on customers, and reschedule them et seven years, with a three-year grace period. Moreover, the Central Bank has requested banks that customers in default be left with a reasonable standard of living.

Apart from the bad loans problem, there is also the issue of collateral, which in Kuwait consists largely of shares and land. Last year share prices dropped 45 per cent, and so few deals have been transacted for real estate, that no market level exists et present.

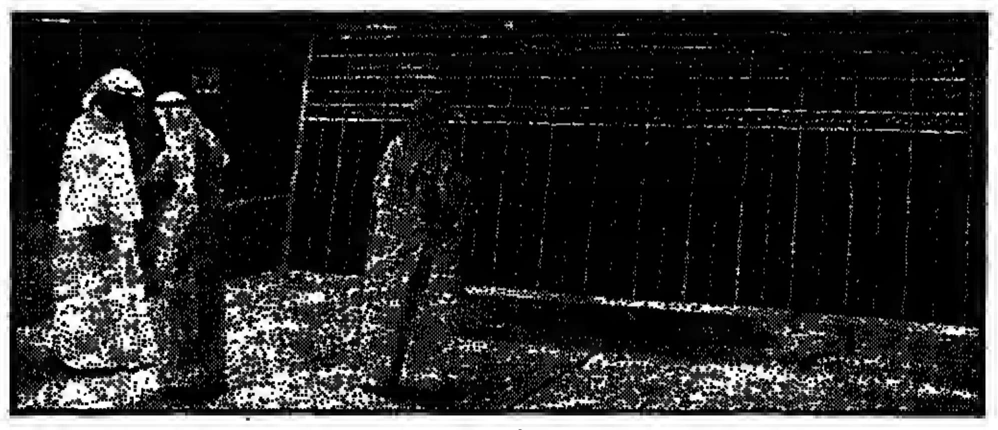
The Government coped with this problem by issuing a list of prices for both land and shares, and ordered all auditors to calculate their clients' balance sheets according to the list. A number of lists were issued over the past few weeks, some so artificially high, that they were laughed out of the market by even the most hard pressed clients. The current list is some 30 per cent below the price levels first issued by the government, and on some of the land valuations, impossible to verify.

The issue of land valuations is important for all, but particularly for the Kuwait Finance House, the country's Islamic banking institution. The bank is known to have some KD 438m in land investments. With a shareholders equity of KD 35m, such price levels become of vital importance for the institution. However, preliminary indications from senior officials there indicate that unlike last year, the bank will be able to offer dividends to depositors this year, thus warding off prospects of major withdrawals by customers. Shareholders may remain unrewarded though.

National Bank's cash dividend of 30 per cent and a 10 per cent bonus share angered the other commercial banks, which accused NBK of trying to separate itself from the rest of the sector. However, some analysts fear that if the results of the other banks are not bright enough, then NBK could get larger, further sapping the strength of the other banks.

The question of bank credits is vital if the stock market is to have any hope of a perk in prices in 1986. Traditionally bank shares lead the way in the market, and any slide in these blue chip stocks will emphasise the decline in overall prices. The fall in prices has to be halted if bank collateral is to preserve its value.

Most of the banks emphasise this year that they are attempting to get out of the local morass and expand overseas. However, going international now is a much harder task than three years ago.



The Old Stock Exchange, replaced last year by a new building

Thorn in the Government's side

Parliament
RICHARD JOHNS

A MEMBER of a state oil delegation visiting China early last year was asked how many political parties there were in Kuwait. He said there were 50—the number of deputies in the National Assembly.

Technically he was right. Political parties are not permitted in Kuwait, a unique democratic system under which only first-class citizens are allowed to vote—those whose family can prove residence prior to 1920 plus bedou elements awarded the status in the 1960s. They must also be male and over 21.

An electoral roll of only 57,000 at last February's general election meant that only 8 per cent of the indigenous population were entitled to vote.

The election saw a more coherent emergence of political groupings. This, and the outcome of the poll were not the best results for the Emir and the ruling family. The vigorous contest apparently free from interference involved 238 candidates and several campaign groups competing for 50 seats.

The voluble National Assembly has proved something of a thorn in the Government's side. It was dissolved for that reason in 1976, and Parliament suspended for four years by Sheikh Kaber al Ahmed al Sabah, the Emir, who was then Crown Prince.

At the extremes of the political spectrum—which have tended to combine on some issues—the radical left and the fundamentalist right of the Moslem sect consolidated strong positions in the election. Four of the Democratic Alliance's six candidates were also returned, including the veteran pan-Arab nationalist Dr Ahmed Khatib and two other radicals sympathetic to the group.

Others elected included two members of the Social Reform Society, which is associated with the Moslem Brotherhood, and the maverick fundamentalist Mr Abdullah Nasif, who is closely associated with the SRS but has also allied with Arab nationalists.

The SRS has adopted a gradualist approach which seems better directed to the electorate as a whole than the more purist line of the Islamic Heritage Revival Society, which is more devoted to the strict letter of the Koran and opposed to the concept of secular rule. Its two assertive deputies were mainly responsible for forcing the resignation of Sheikh Salman Duaij al Sabah, the Minister of Justice, last May.

The two Shia fundamentalist deputies with sympathies for Ayatollah Khomeini's Iran lost their seats to more secular members of the sect which—with 20 per cent of the indigenous population but only three seats—remains very much unrepresented.

Independents include technocrats and representatives of the bigger merchants, including Mr Jassim Khorafi, Minister of Finance.

The largest block, and the one on which the Ruling Family can rely for support in the last resort, represent tribal elements from the outlying constituencies. The 25 constituencies have been drawn to ensure a majority.

But even this National Centre Group opposed government proposals to reduce subsidies on electricity.

Parliamentary truculence has severely tested the patience of the ruling family and Sheikh Saad al Abdullah al Sabah, the Crown Prince and Premier. Criticism of members of the dynasty has been unprecedented.

Yet such is the pride Kuwaitis take in their parliament, its value as a democratic instrument that the Emir is hardly likely to risk alienating his people by dissolving it again. And at the next poll it will become more democratic as 20,000 or so Kuwaitis granted nationality in 1965 should become entitled to vote.

Courted by the powerful

FOR 30 years the press centre of the Middle East was Beirut. Its 84 newspapers and magazines, once courted by presidents, kings and emirs, are more preoccupied today with surviving censorship.

As Beirut slipped into civil war, Kuwait's economic fortunes were on the rise, and with its democracy and tradition in publishing it was well placed to partially fill the vacuum. But the Kuwaiti media is not totally free, and the Government is anxious that its media not prove vulnerable to pressures from other Arab governments and factions.

Based on an oil-rich economy and state subsidies, papers were able to buy the best printing machinery and appoint correspondents in all main capital cities. They are now the most courted in the Arab world.

When the new Government came to power in Aden, its first feelers to the media were to Al Watan newspaper in Kuwait. If Hosni Mubarak of Egypt has a message to import, he has frequently turned to such editors as Mr Ahmed Jarallah, of the conservative Kuwaiti daily al Siyassah. Even Amin Gemayel of Lebanon invited a planeload of Kuwaiti journalists when he came to power.

But Arab leaders frequently become enraged at Kuwaiti press comment. Mr Yasser Arafat, the PLO chairman, hates Al Watan. The region's most famous cartoonist, Mr Naji Ali, was forced to London from his office at Al Qabas. Many believe the paper came under pressure either from the PLO or from the Saudis, over his often-critical cartoons of the US peace moves in the Middle East.

The Press

Some factions turn to terrorism. Two years ago, al Rai al Aam, the oldest newspaper in the country, was bombed and last April, Mr Ahmed Jarallah of Al Siyassah, was shot.

Although courted abroad, the domestic power of the Kuwaiti press is a "weapon which is never unsheathed" by its owners, mostly wealthy businessmen. No censorship is applied by the ministry of information, but chief editors and owners are frequently called in for "consultations" with Sheikh Nasser Mohammed al Sabah, the minister.

But the press is strong enough to remove a cabinet minister—and frequently does. Twice a week, the press carries a detailed record of the often acriminious debates in parliament, and its columns are open to any Kuwaiti of merit, regardless of his views. This daily platform makes the press a powerful and vital dimension of the country's democracy. Tha Kuwaiti Emir never travels on an official visit without a complement of editors on his aircraft, sometimes giving airborne briefings.

There are certain subjects which by unwritten agreement remain taboo, such as high ranking members of the ruling family. Close US ties are also rarely commented on, though policies in the Middle East come in for daily abuse. Saudi Arabia is the most touchy subject of all.

Occasionally, a columnist oversteps the rules, and ends up in court. Rarely do such cases produce imprisonment: a $150 fine is more usual. The Government is however trying to tighten up laws to forbid critical comment of friendly nations. But the parliamentary committee studying the matter is beaded by Sami Munnayes, who is not only a member of Parliament, but a senior editor of Al Talia, the most frequently prosecuted paper.

There are challenges ahead for the press. The economy has been shattered and editors already report a 30 to 40 per cent decline in advertising. Some, such as Al Siyassah and Al Qabas, are ettempting to make up the difference through international sales but have found that expansions into other Arab countries carry a cost in editorial freedom.

Some accept such costs, while others shrug off the pages torn from their editions in Gulf countries. But such moves occur at a time of greater co-ordination on press matters in the Gulf and the yardstick of press freedom is very different than in Knwait.

Kathy Evans

Kathy Evans reports the struggles to recover from the twin problems of the stock exchange crash and falling oil prices

Astute hand needed to steer out of downward spiral

The Economy

IN THE next few years Kuwait's economy will have to undergo a total restructuring if it is to translate state wealth into broader based prosperity for its people. The twin effects of the stock exchange crash of four years ago and now the collapse of oil prices have provided a severa test to thosa responsibla for managing the economy.

In the immediate future, a careful and astute band will be necessary if Kuwait is to pull out of this vicious downward spiral.

Not all is gloom and doom, however. Kuwait's aconomy has greater underlying strength than most of its neighbours. It lead the way in diversifying the sources of wealth for the state. Its foreign assets are conservatively estimated at $75bn and income from those investments accounts for one third of annual revenues.

In addition, Kuwait moved shrewdly to ensure that its vital petroleum exports would receive a measure of protection from market fluctuations by purchasing distribution networks in Western Europe. Kuwait Petroleum Corporation is the only integrated oil company in the Arab World.

In the long term, massive hydrocarbon reserves ensure the state's economic vitality. They are enough for more than 200 years at current output.

But the immediate scenario is bleak. There are still many Kuwaitis whose wealth is the stuff of legends, and apart from the dozen or so families which make up the country's plutocracy, the oil boom of the 1970s enriched another layer of citizens through the trading and contracting business.

However, there are still many Kuwaitis whose sole sources of income are derived from e government job and a small business, but aspire to join the ranks of the other privileged classes. The ambitions of this segment of the population, many of whom are bedu and constitute an important source of political support for the government, have to be met during the deepest recession the Kuwait economy has experienced.

It is tha stock market disaster of 1982 which is largely responsible for the decline in confidence in the domestic economy. (Tha effects of the oil price crash hava yet to be felt in Kuwait.) There are a record number of foreclosures underway, in spite of generally soft attitude by the banks. About 300 Kuwaitis have been referred to the official receiver. More than 200 have not, because if they were referred, then hundreds more bankruptcies would result.

Only 6,000 people were involved in forward trading on the Manakh at the time of the crash, but today the aftermath and complications tonches hundreds of thousands of Kuwaiti and non-Knwaiti families. Consumer spending is well down. Tha only compensation has been that dafiation is running at about 2 per cent.

At the heart of tha crisis is the plummeting valne of assets. Share prices fell by 45 per cent in 1985, and land by about 60 per cent. No one is quite sure ebout real estate prices because so few transactions have been done. These two constitute the bulk of collateral supporting bank loans.

But it is not only the banking sector, the undoubted if shaken pillar of the economy, which is struggling to ascertain its trua position. Most of Knwait's private sector end semi-state companies also are puzzling over their state of solvency.

Dilemma

The approach of year's end has become an annual and increasing auditor'e nightmare. Their dilemma is valuing the assets whilst verifying accounts as the "true and accurate" reflection of a company's financial position. The Government has characteristically attempted to solve the problem by issuing a list of prices for everything, from parcels of land in the suburbs to shares in companies that have not been traded for 12 months.

The question being pondered now is whether the market has bottomed out. The official stock market is still fragile and at the start of a clean-up which could transform the number of companies quoted a year from now.

The need for a stimulus to the economy is vital if asset values are to reverse their downward trend. However, Kuwait is abont to embark on the most severe spending cuts the country has seen, and the impact of those hudgetary cutbacks on the private sector could prove devastating unless managed carefully.

Given the 33 per cent cut in the market value of Kuwait's oil in the past few months, the need to trim the budget is obvious. Revenues from oil constitute well over 90 per cent of the hudget. Traditionally, the Government chooses to ignore investment income when drawing up the budget. However, in the past three years, Kuwait's investment income has been relied on to finance the deficits, which have ranged from KD 650m to KD 704m in the current fiscal year.

Investment income is going to be vital in financing Knwait through the oil crisis. How much will be used up will depend on several factors.

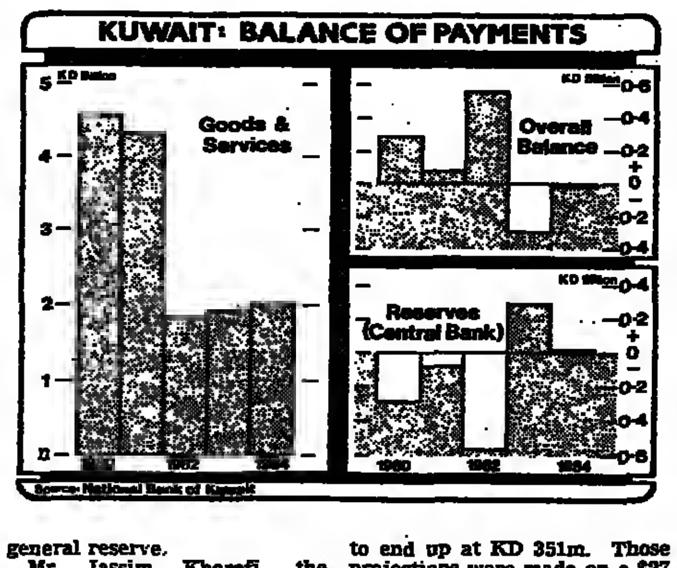
The prime influence is the oil income, for although output has gone up from an average last year of around 900,000 barrels a day to a current 1.15m b/d, the increase in production does not make up for the drastic falls in price which have already taken place. Future revenues depand largely on Opec's starategy in the next few months.

The second factor here is the extent of the budget cutbacks which the Government can secure from parliament. Also important is the large amount of money which needs to be spent on financing the solutions to the continuing Souk Manakh crisis.

It has already cost the Government about KD 2.5bn, which had to be diverted from the State General Reserve. IMF figures show that $1.458bn was transferred in 1983 and $1.87bn the following year, most of it for Manakh solntions rather than for tha budget.

As the Reserve Fund for Future Generations is legally untouchable, the drawdown has occurred on the general reserve, which has fallen from KD 12.39bn in 1982-93 to KD 11.38bn in mid-1984. Most of the good assets are beld in the reserve fund and have to be ploughed back, so the Government has access theoretically to only 61 per cent of the investment income.

Last year's investment revenne from the general reserve was only KD 452m ($1.5bn), so the cushion for the budget deficits and Manakh requirements is looking extremely lean. There could be some switching between assets in the reserve fund to the general reserve.



Source: National Bank of Kuwait

Mr Jassim Khorafi, the Finance Minister, says there is still a lot of fat on the budget: too many "luxury" or unnecessary projects, too much foreign travel by civil servants, and growing government bureaucracy. In February be applied the brakes, ordering all ministries to cut spending immediately by 15 per cent.

This year'e hudgeted deficit is projected to be KD 657m but with underspending by ministries it was thought likely to end up at KD 351m. Those projections were made on e $27 a barrel oil price for Kuwait, whereas current receipts are thought to be between $18 and $20. The deficit could be ebout KD 800m.

Cutting next year's budget will he harder. Capital transfer items, largely aid and defence equipment, are the most vulnerable to cuts but could be difficult given the proximity of fighting in the latest Iranian offensive.

Cuts into the meagre development budget, which last year accounted for only KD 694m out of a total budget of KD 3.4bn would damage the private sector at a time when it needs its greatest boost. Banks ara hoping that the Government will implement the decision to divert contracts to the local rather than foreign suppliers and contractors to minimise the impact of the cut in development spending.

The largest proportion of annual spending goes on current budget, now accounting for about 75 per cent. Freezing bonuses and staff levels is easy, but cutting subsidies or introducing nominal fees for public services is likely to prove unacceptable to parliament when so many millions have been spent in bailing out stock exchange speculators.

This is where the careful band of economic management is required, for the Government will have to cut drastically while at the same time massaging the private sector out of its gloom. Politically, also it will be e delicate process, and might prove difficult to digest politically. Senior bank executives, tend to agree that big cuts at this stage might prove politically impossible.

One of the main effects of cuts would be a quickening of the exodus of foreigners. Already some 30,000 foreigners have left in the last year because of of unemployment or security.

For rents and land values it could prove catastrophic, as already there are some 30,000 units empty in Kuwait city. Current construction will double supply. Commercial rents are already falling precipitously, 30 per cent in the first six months of 1985, and with more people leaving, they could fall even further.

Rents and share trading have been the traditional source of wealth for Kuwaitis for 10 years or more. Today, they talk of the need to invest more in "productive" areas such as industry. However, Kuwait's industrial sector, like any other, has fallen victim of the Manakh crisis, for many were inflating profits through dealing in the stock market.

The withdrawal of quick, easy profits on the stock markets have left local industry naked and ill-equipped to face the reality of a regional recession. Many companies are working out problems with their bankers, or even worse, facing liquidation.

Already, the Government has helped revival by application of protective tariffs. Some 50 local companies have received protection in tariffs ranging from 10 to 30 per cent.

A reversion to more productive areas of investment is going to require capital, and until the Manakh situation becomes clear, it is difficult to assess how quickly activity will pick up. Many analysts hope that even the most "bankrupt" have hidden stores of funds. Activity of those truly bankrupt will depend largely on the outcome of the bail-out schemes being discussed by parliament.

Those, too, could fall victim to the new cuts in spending. If the rescue schemes turn out to be smaller than expected, then coupled with the impact of the oil crisis, general levels of trading will go down and imports fall further.

Long-term planning in such an uncertain financial environment is virtually impossible until the oil market settles. The five-year plan drawn up two years ago and published last spring projected a GDP growth of 3.9 per cent annually and oil revenues going up 3.5 per cent a year. Planners were banking on fiscal deficits running at an average of KD 369m. Budgets were forecast to grow from KD 3.6bn to a 1978 figure of KD 4.08bn.

The document looks a historical curiosity now. Analysts are projecting next July's budget at KD 2.5bn at the most. It is a symptom of the kind of constant re-thinking going on in Kuwait, as in other oil producing states. This is likely to continue for some time.

Pioneers hope for end of nightmare

Trading Houses

THE COMPANIES known collectively as the "Three Ks"—Knwait Foreign Trading Contracting and Investment Company, the Kuwait Investment Company, and Kuwait International Investment—were once the pride of the country's financial system. Together they hlazed the trail into the Western investment markets long before other Arah oil producers in the region.

Since the crash in the Souk al Manakh market, the three Ks, like almost every other investment company in the etate, have faced buge write-offs on their local shares and land portfolios, and losses resulted.

Right from the beginning of the crisis, two of them, KFTCIC and KIC, were intimately involved in the numerous solutions put forward by the Government to solve the problem. Both acted as agents in the Government's efforts to prop up the local share market.

Government ownership in KFTCIC went up to 96 per cent and in KIC up to 60 per cent. The stake in KIIC remained in the minority, though increased to 24 per cent.

In 1984, the decline in asset values led the three Ks to record a total KD 80m in losses. Thie year, market opinion believes that the losses will continne, but perhaps not at such a high level.

Nevertheless, with a slump of 45 per cent in share values last year and similar declines seen in land prices, befty provisions will be required—just how mnch is being worked out now with the Central Bank. Officials believe the authorities will adopt e flexible line so that the losses will not be as painful as the previous year.

Mr Hilal Mutairi, KIC general manager, says the company's local share portfolio now stands at about KD 19m, and the holdings of Gulf shares are only "minimal." Figures for 1984 show land holdings to be valued at KD 103m, of which developed land accounts for KD 76m, valued at 1979 estimates.

Mutairi adds that because provisions taken in the last two balance sheets, the write-offs in future become smaller, and he hopes that with an upturn in the stock market, "1986 will be the end of the nightmare."

KFTCIC officials say the company is "not doing anything local now" and the emphasis this year will be on short-term gains in such areas as trade financing and hedging operations. At end 1984, the company mada e KD 26m loss. Figures in that year's eccounts showed that the company held KD 33m in equities, which were said by officials to be "mostly local" and real estete valued et KD 101m, of which 80 per cent was in the Kuwait market. KFTCIC is expecting further losses this year.

The situation at KIIC could look slightly better than in 1984 when local stocks were listed at KD 9.5m and loans (some of them to big Manakh dealers) were KD 20.3m. "We still bave some problematical loans, but now, we are not lending to either Kuwaiti or Gulf borrowers," said one official.

Last year was the worst year ever for KIIC, and the shareholders' equity shown et year end will depend largely on Central Bank policy on local asset evaluations. A quarter of the company'e assets are still in Kuwait.

At the beginning of last year, Kuwait Real Estate Investment Consortium had total loans of KD 125m, but with various sales of assets (KD 30m), recapitalisation by the government (KD 12m) and repayment on post-dated cheques by dealers totalling KD 48m, the company was able to sign a seven-year syndicated loan from the Kuwait banks worth KD 38m at enviable rates of interest.

In reality, the sales of assets was a mere bookkeeping exercise, for the assets, mainly interests in Bahraini banks, were sold to the government whilst KREIC remained tha shareholders. Senior KREIC officials hope that despite large provisions still required on land and shares, the company will emerge in the black for 1985.

In the next year or two, all the Ks are hoping for a fresh start, and for an upturn in the local share market. There has been discussion about possible mergers between the companies, and while such talk has died down, most executives at the Ks appear to be much in favour of such a move.

Kuwait 4

Richard Johns reports on prospects for the crucial oil-based sector

Fierce fight to regain share of market


Kuwait Petroleum made a mark in Europe as the first company selling unleaded gasoline across the Continent

Oil & Gas

IT WAS not surprising that Kuwait joined Saudi Arabia more quickly and with greater self-assertion than any othor member of tho Organisation of Petroleum Exporting Countries in tho collectivo decision last December to regain market share at tho expense of other oroducers.

Not only does it have proportionately greator financial reserves than any other to fall back on but it also has the same interest in prolonging world dependence on oil as long as possible.

Thus, Sheikh Al Khalifa al Sabah, tho Kuwaiti Minister of Oil and Industry, has been even more forthright than Shoikh Ahmed Zaki Yamani, his Saudi equivalent, in trying to force non-Opec producers (and in particnlar tho UK) into restraining their outpnt in support of prices.

In terms of its oil reserves Kuwait ranks third behind Saudi Arabia and the Soviet Union, with some 12 per cent of the world total and sufficient to sustain output at its prosent level for a couplo of hundred yeara or so. Moreover, its crude oil fields are coocentrated in a small area and require only gravity to transport it a sbort distance to the shipping terminal. Extraction costs must be lower than any other producer, including Saudi Arabia, prnbably about 80 to 90 cents a barrel at production rates of about 1m barrels a day.

At relatively small exponse, Kuwait bas been adding to its reserves witb discoveries of light crudo. Over tbo next few years this will add greater flexibility in an increasingly competitive market. Proven reserves are officially 72bn barrels, but may be more like 100bn barrels.

Apart from its entitlement from the Neutral Zone, an area shared equally with Saudi Arabia, Kuwait's output last year averaged 930,000 b/d, according to Kuwait Oil Company, the production and exploration affiliata of the Kuwait Petroleum Corporation. This compared with 3.2m b/d in 1972 and a record daily peak of 4m b/d.

KPC's prodnction in 1985 ran slightly above the 900,000 b/d quota set undor Opec's now defunct sharing system agreed in the autumn of 1984. At the same time 125,000 b/d of the state's share of Neutral Zone output—produced off-shore by the Japanese-owned Arablan Oil Company and on-shore—by Texaco—has been marketed on behalf of Iraq as a form of aid.

As far as Kuwait is concerned, the territory has been beyond the purview of the Opec pact. As it is, the subvention in kind to Iraq is coming to an end with only past shortfalls in liftings now being made on its behalf.

Kuwait's oil production from its exclusive territory has come from seven fields, including the prolific Burgan, which vies with Saudi Arabia's Ghawar as having tho largest reserves in the world. Its 31 degree API gravity bas contributed about 70 por cent of output, although KOC'e plan is to reduce the proportion to about 50 per cent. Varieties from the other fields range from 24 deg API for Umm Gudair to 34 deg API for Minagish.

Discovery of light crude resulted from the deep-drilling programmo into the Khuff Zone. This was started in 1982 in the search for unassociated gas required for the state's power and desalination plants, as well as KPC'e liquid petroleum gas (LPC) and petrochemical plants. Over the past year these have been running well below capaelty—with the LPG facility at only about a quarter of its potential.

Having succeeded in finding only light oil with a range of 38-40 deg API gravity, KPC embarked on a programme to develop these reserves found in the deep structures under the Burgan and Marrat fields.

An incentive to exploitation and a compensation for the failure to find unassociated gas was the fact that the crude has a significantly higher gas/oil ratio than the heavier varieties. Six wells have been drilled at a cost of KD 40m, yielding a flow of 30,000 b/d, which is being blended with other varieties.

It is too early to say how much will be added to the state's proven reserves, now estimated at 72bn barrels, according to Mr Feisal Kazmaweb, deputy chairman of KOC.

KPC's plan is to raise output of the light crude to between 100,000 and 120,000 b/d over the next few years by drilling 40 wells in all at an average cost of KD 3m to KD 3.5m. With surface facilities designed to give a separate stream of production the cost of the programme is estimated at KD 150 to KD 200m.

The deep drilling required puts a premium on care and specialised equipment — emphasised with the blow-out of an experimental well in 1978. A subsequent one went to a depth of 22,285 ft, the deepest outside the US. Dangers lie in penetrating high pressure zones containing hydrogen sulphide gas and letting it spread to the higher oil structures.

If gas exists unassociated with oil under the sands of Kuwait, it has proved elusive. To make good the shortage it was planned that the Kuwait Oil Tanker Company, KPC's shipping affiliate, would transport liquefied natural gas (LNG) and at the end of 1983 the company purchased a 63,000 dwt carrier. But because of the tanker war early in 1984, it was never used and remains laid-up.

Kuwait's power plants have dual-firing systems. The most recently completed plants, the 1,200 Mw Shuaiba South and the 2,400 Mw Doha West can use natural gas, tail gas from the LPG plant, gas oil or even crude.

Electricity charges have been held down to a basic tariff equivalent to only 0.5 US cents per kilowatt hour (about one-fifteenth of actual cost), costing the state nearly KD 300m annually and consumption still rising at about 10 per cent a year, so there is every reason to use the cheapest fuel possible.

Kuwait Crude and Products

Crude (000 b/d)	1984	1985
Production	1,000	930
Uses		
Refining	460	565
Export	395	260
KPI	93	88
Power Plant	22	17
LPG (m tonnes/yr)		
Production	1.7	1.6
Export	1.2	1.2
Local	0.5	0.4
Refined Products (000 b/d)		
Export	390	452
Local	75	94

Excludes offshore production in Neutral Zone (AOC)

Gas output has fallen with the decline of oil production to the point that it was only about 560m cu ft per day in 1985 according to KOC, compared with 1.25bn cu ft in 1979, when 27 per cent was flared. Now utilisation is 93 per cent.

While the LPG and petrochemical plants run well below capacity because of the shortage, there is still only 120m cu ft per day available for power generation and desalination after the oil industry's requirements, especially reinjection for well-pressure maintenance.

Relief will come next summer through the agreement with Iraq whereby the 400m cu ft per day being flared will be supplied from the Rumaila oil fields at a price of $1 per million BTUs, the cheapest on the market.

Half the contracted volume should become available in May, with the scheduled completion of the pipeline project costing $60m-$80m for which the C. F. Braun division of Santa Fe, KP's subsidiary, has the design and engineering contract. That amount will be associated with Iraqi oil pumped to the Red Sea across Saudi Arabia. The rest will have to await crude through the expansion of the pipeline facility from Iraq to Turkey.

In principle, Kuwait is still interested in the Gulf Co-operation Council's project for a gas grid which would enable it to take gas from Qatar's unexploited North Field. So far it has baulked at the kind of wellbead price envisaged.

PROFILE: KUWAIT PETROLEUM CORPORATION

Forceful strategies will provide lifeline through crisis years

KUWAIT FACES competition for a reasonable share of a poor oil market with more confidence than other states in the Organisation of Petroleum Exporting Countries, with the possible exceptions of Saudi Arabia and Venezuela. For that it has to thank the integration and diversification overseas of its industry through the Kuwait Petroleum Corporation, which had a turnover in its last fiscal year of about $12.5bn.

The strategy forcefully pursued by KPC since its formation in 1980 and, in particular, its driving force Sheikh Ali Khalifa al Sabah, Minister of Oil and Industry, will help stop Kuwait floundering in the next three or four critical years. In the longer term, continued aggressive expansion should make a considerable increase in income for the state.

KPC is run along Western corporate lines in contrast to the leaden and overmanned government ministries. But the corporation's published results do not match the image and are less than fully revealing. They show, at least, that profits derive from sales of crude, oil products and liquefied petroleum gas. These greatly offset the losses of affiliates including Kuwait Petroleum International, the London-registered subsidiary responsible for refining and marketing in West Europe.

KPC purchases oil and gas from the Government after the Kuwait Oil Company, the domestic producing and exploration affiliate, has been reimbursed for costs. Queries that KPC's published figures might raise about the price paid and the contention that official selling rates were observed for the full volume are now of historic interest, given Opec's renunciation of any attempt to observe discipline since December. A new formula to take account of plunging oil prices is being worked out with the Government, according to Sheikh Ali.

The closed accounts for fiscal 1984-85 (ending June 30) gave a net profit of KD 209.1m ($734m at the present rate of exchange), a decline of 25 per cent. Total revenue was KD 3.77bn, some 17 per cent lower. Sales of crude oil fell 14 per cent to KD 1.69bn, refined products (despite the rise in volume) were down by 5 per cent to KD 1.75bn, and liquid petroleum gas by 13 per cent to KD 153.3m.

Losses by subsidiaries were KD 71.7m but in 1984-85 two affiliates, Petrochemical Industries Company and the Kuwait Oil Tanker Company, contributed to the overall profit after making losses the previous year.

KPC's purchase of Gulf Oil's assets in the Benelux countries in 1983 and those in Italy in 1984, secured a significant foothold at minimal cost in refining and marketing abroad, as well as a secure outlet for crude. It now has in West Europe some 3,100 service stations, as well as 48 bulk terminals, and two blending plants.

And as a result of the acquisitions, KPC gained ownership of refineries at Europort, in Rotterdam, with a capacity of 75,000 b/d, and at Skaelskor, Denmark, able to handle 54,000 b/d. KPI also has processing agreements for 35,000 b/d in Italy to service its outlets.

The Dutch and Danish facilities were designed for Kuwait's relatively heavy sulphurous crude, but both need lighter varieties. KPI is obliged to buy its full feedstock volume requirements in terms of volume from the parent company trading the unwanted proportion for what it needs to balance the throughput for the right products mix.

In north-east Europe, KPI is at a disadvantage compared with its chief rivals, Shell and Esso, in not being able to "play the open market," because it has to fulfil a strategic role for the state. But Mr Nader Sultan, KPI managing director, says volume sales were "substantially higher" in 1984.

Distribution

Next summer KPI will launch a new brand name and marketing drive in Europe. And the six countries where it is now established are not the limit of KPC's ambitions. Sheikh Ali acknowledged last year that it wanted to expand operations in the UK, where Kuwait's presence is limited to the 1.8 per cent market stake held through ownership of the Sadler and Pace chains. It would like to achieve a 5-7 per cent share similar to those in six countries on the Continent.

The problem posed by the unwanted refinery at Milford Haven apparently stymied KPC attempts to purchase Gulf Oil's UK interests before Chevron took over its US rival. Mr Sultan says KPC looked et two other possibile acquisitions in Europe but they did not materialise.

KPC failed in its bid to buy the former Gulf refinery in Louisiana and associated service stations in 1984. It also did not succeed in purchasing Atlantic Richfield's refinery near Philadelphia and distribution network in the north-east US. But its American ambitions are not dead.

KPC's competitiveness in the world market is being greatly enhanced by refinery modernisation and upgrading projects by the Kuwait National Petroleum Company, the domestic downstream affiliate involving an investment of KD 1.32bn.

"It will give KPC a stronger hold on the marketing of products and more options," Mr Abdul-Aziz Al Besairi, deputy chairman says. In 1987 domestic capacity of simple crude will have risen from 520,000 to 665,000 b/d. It will considerably increase Kuwait's ability to produce higher value middle and light distillates. With the 190,000 b/d Shuaiba plant commissioned in 1969, Kuwait already hod a sophisticated refinery with a high ratio of hydrocracking and desulphurisation facilities.

Modernisation and improvement will give the old Mina al Ahmadi and Mina Abdullah refineries, originally simple distillation plants designed to produce fuel oil, the same flexibility and versatility.

The Mina Abdullah project is scheduled for completion this year. It involves a rise in capacity of only 20,000 b/d to 270,000 b/d but it will increase petrol potential more than six-fold and nearly double the yield of middle distillates.

The up-grading and expansion of Mina al Ahmadi from 110,000 b/d to 200,000 b/d is set for the end of 1987. It will enable KPC to process heavy sour crudes from the Neutral Zone to produce middle distillates amounting to 85 per cent of throughput together with petroleum coke.

KOTC has weathered the war in the Gulf successfully even if the 294,000 dwt Kazimeh has been hit twice.

Through its affiliate Kuwait Foreign Petroleum Exploration, KPC has a wide global spread of rights including concessions in Australia, Bahrain, China, the Congo, Egypt, Ireland, Italy, Oman, Tanzania and Turkey. It acts as operator on-shore in Tunisia and off-shore in Bahrain.

Last April it bought out its partners in the Geneva-based International Energy Development Corporation which has made commercial discoveries in the Gulf of Suez and Australia. KUFPEC's subsidiary Santa Fé Minerals (Asia) has an interest in Atlantic Richfield's gas discovery in Chinese waters.

KPC's $2.5bn purchase of Santa Fé, the US oil service company, at the end of 1981 gave it extensive oil leases in the US, the Gulf of Mexico and the North Sea—where it has a stake in the Miller field — as well as the South China Sea. The acquisition has proved controversial, not least because of the price paid.

The American affiliate has been a loss-maker, but ownership of Santa Fé together with its subsidiary C. F. Braun, with its engineering expertise, made KPC into a fully integrated oil company capable of handling all aspects of the business.

PROFILE: PETROCHEMICAL INDUSTRIES COMPANY

Gas shortages limit production

KUWAIT'S ambition to maximise the return from its wasting hydrocarbon resources through the manufacture of petrochemicals dates to the 1960s, when implementation of the first projects began. Its scope has been limited, though, by shortages of natural gas resulting from lower oil oupol which, in turn, has also adversely affected the profitability of Petrochemical Industries Company, the wholly-owned subsidiary of the Kuwait Petroleum Corporation.

Yet it is uncertain what incremental supplies of gas PIC may receive through the agreement with Iraq under which by the autumn another 400m cu ft per day will be flowing from the South Rumaila field to supplement Kuwait's production. No promises have been made.

Mr Abdul Baqi Abdullah al-Nouri, PIC chairman and managing director, said: "We will probably havo a little more but it is difficult to say bow much."

Senior financial executives emphasis that apart from the needs and economics of power generation, there is an optimum limit also imposed by the market opportunities for PIC's output of ammonia and urea.

Fertiliser

With cancellation of plans last year for an aromatics complex based on refinery feedstocks. Kuwait's domestic industry remains beavily concentrated on the production of ammonia and, as derivative, urea. And for the foreseeable future the main thrust of investment by PIC will be overseas—in particular Tunisia, Turkey and China.

The bulk of ammonia and urea capacity was established in the early 1970s when oil output peaked, and the assumption was that the high rate would be maintained for the indefinite future.

Completion of a fourth ammonia lino at Shuaiba in the spring of 1985 gave Kuwait the largest nitrogenous fertiliser capacity of any oil state in the Middle East, with capacity for ammonia of 1m tonnes a year and one for urea at 792,000 t/y. Yet the industry generally has been dogged not only by shortages of gas but also marketing difficulties.

Plants last year operated at 62 per cent of capacity and urea prices dropped about 30 per cent compared with the previous year, but PIC was still in the black in 1984-85. Net profits in the last fiscal year were KD 3.96m ($13.64m) compared with losses of KQD 3.52m in 1983-84 and KD 3.12m in 1982-1983. This amounted to a return of KD 38m and 3 per cent on capital, which increased from KD 100m to KD130m as a result of the need to finance new investment at bome and abroad.

Considerable improvements in efficiency and more economie ntilisation of gas were largely responsible for increased ontput and profitability. Ammonia production rose by 16 per cent in 1984-85 to 416,375 tonnes and that of urea by 9 per cent to 596,060 tonnes. Costs of production were reckoned to have fallen by 2.3 and 12.4 per cent respectively, according to PIC's accounts. In addition 4,340 tonnes of sulphuric acid were produced from the plant which operated for only 20 days as a result of low demand.

Whatever the constraints imposed by the lack of gas availability, output was almost in line with what PIC could sell. Ammonia was restricted by storage problems — the potential dangers from a hit-and-run Iranian raid.

Urea sales rose 7 per cent to 580,000 tonnes and those of liquid ammonia increased 22 per cent. Hoescht of West Germany, which is 24 per cent Kuwaiti-owned, provides e market.

The ammonia plant is receiving about 55m cu ft a day of gas which, with the improved utilisation, is sufficient to operato about half of the units for ammonia and 85-90 per cent for urea according to senior PIC officials. The fourth ammonia line is now being fully exploited together with the first. The older ones bave all been depreciated fully.

The rest of PIC domestie octivity is limited to its salt and chlorine division. Prodnction has gone mostly to serve the Kuwaiti market, with the rest going to Arab states in the region, but has been running in excess of demand.

It is said, nevertheless, to be profitable. In 1984-85 it achieved an output of 21,000 tonnes of salt, 8,000 tonnes of chlorine, and 10,000 tonnes of caustic soda. Sales, though, wera only 8,600 tonnes, 7,750 tonnes and 6,300 tonnes respectively.

For the fotore IPC's only other surviving project is a polypropylene plant to serve the local and Gulf market, which will receive its feedstock from refineries. It is still under study by C. F. Braun, which signed a letter of iotent with PIC last spring, and contracts are likely to go out to tender soon.

Another project would have been the polystyrene plant planned by Kuwait in 1980 in which PIC has a 45 per cent stake. Its shareholders, though, decided in October to liquidate the company, baving made only one investment of any note—a sulpbur-packing operation.

In Tunisia it has en investment calculated last year at KD 7.3m in five joint ventures involving prodnction of triplo superphosphete, monammonium phosphates and pbosphorice acid as well as research into the mining phosphates. In Turkey, PIC has a 47 per cent share in the Mediterranean Fertiliser Industries plant et Marsin and will have e 25 per cent shara in the one being constructed at the same site which will have a capacity to produce 460,000 tonnes a year of diammonium phasphate and 660,000 tonnes of calcium ammonium nitrate.

PIC's biggest single investment abroad is its one-third share in Gulf Petrochemical Industries. The $400m joint venture, financed 40 per cent by equity and 60 per cent by loans, was commissioned last June with a capacity of 330,000 tonnes a year each of ammonia and methanol. The joint venture with Saudi Arabian Basic Industries Corporation and the Bahrain Government has performed perfectly, according to Mr Fuad al Khadra, deputy managing director with responsibility for planning and projects.

Distribution

Policy is that further diversification should be complementary tn existing activity — whother in Kuwait, Tunisia or Bahrain. It is on that basis that PIC has proceeded with its most ambitious and far-flung initiative, which resulted from the visit by Sheikh Ali Khalifa al Sabah, Ministar of Oil, to tho Far East early in 1985. Work on the fertliser plant designed to produce 480,000 tons a year of diammonium pbosphate and 600,000 tonnes of nitrogen potassium phosphate will begin soon.

PIC has a direct share of 30 per cent in the tripartite venture and another of 14.7 per cent, indirectly through its Tunisian joint venture SAIPE, which will supply the pbosphoric ecid feedstock. With the 40 per cent balance, China will provide the ammonia and the gas supplies. The latter, moreover, will be supplied from the off-shore gas field south-west of Halnan Island in which KPC bas an interest.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Hovione

A laboratory of inventiveness

Diana Smith on the global ambitions of a Portuguese family company

IF PORTUGAL were America, Ivan and Diane Villax and their pharmaceutical company Hovione would not be unusual. The US encourages the type of hard-nosed enterprise that has resulted in Hovione being developed from a tiny basement lab 27 years ago into today's multimillion dollar manufacturing complex.

Portugal's climate is different. Businessmen often expect governments to create ideal conditions, then mope when Utopia remains elusive. So much so that the Prime Minister Anibal Cavaco Silva, who believes private enterprise must actually be enterprising, recently repeated to a business audience the words of John F. Kennedy: "Ask not what your country can do for you but what you can do for your country."

Meanwhile the Villaxes go their own way, make money, and pump profits back into their company. And they amiably fend off commercial or investment banks and state institutions all trying to lend them money . . . a rarity in Portugal, where bank managers are not famous for their eagerness to grant loans.

It all began in Clermont-Ferrand, in central France. Ivan Villax, then a 23-year old Hungarian refugee with a degree in organic chemistry from the University of Budapest, was half-heartedly earning a living in his plant geneticist father's line of work, researching chestnut tree blight. Though bored with chestnuts, he was engrossed by micro-organisms in the soil around the diseased trees. He isolated a fungus with antibiotic properties.

After joining his parents in Portugal in 1950, he delved further into antibiotics in his new job as researcher at the Instituto Pasteur, a private Portuguese pharmaceutical company. Throughout the 1950s, Villax developed new strains of tetracycline, the broad-spectrum antibiotic, and of penicillin and chloramphenicol.

It was after his marriage to Diane du Boulay, then 24, in 1959, that Hovione was founded. She came from prominent Anglo-Portuguese stock, had done a secretarial course in London and had some experience as a secretary with a small Lisbon import/export office.

The catalyst was the lack of interest shown by the Instituto Pasteur in acquiring international patents for Villax's discoveries. He went in search of backers and found them among Hungarian refugees in Portugal and Italy.

Starting with a capital of $1,000, raised by Hungarian friends and his wife, who sold shares in order to take 50 per cent of the capital, Hovione began as no more than a laboratory in the basement of their small house and a desk in the study, with Ivan Villax and colleagues researching in the basement and Diane Villax learning how to be a manager on the ground floor. When the business and the family grew (they have four children), they moved to a larger house with a bigger basement and room for a separate office.

Peter (left), Diane and Ivan Villax: Hovione's first financial backing came from Hungarian refugees

First Hovione sold know-how for the fermentation of chloro-tetracyclines to a Milan-based concern, Fermentforma, whose directors were Hungarians. They offered Villax 12 per cent of the capital, which he paid up in stages as he began to earn more money. When in 1967, a small Californian company, International Rectifier, bought up Fermentforma, Villax made enough profit on the sale of his stake for the couple to build a small manufacturing unit in Portugal.

From the earliest years of Hovione, there have been battles over patents: each time Villax registered a new product or process—with 113 patents now registered abroad—he was contested by American pharmaceutical multinationals.

Protecting patents costs Hovione $100,000 a year and wear and tear on the nerves. Unlike US drug multinationals who have battalions of lawyers, the Villaxs do most of their own fighting, hiring a lawyer when necessary.

As Hovione has expanded, and concentration on research and development which absorbs 8 per cent of annual investment against a Portuguese average of less than 1 per cent, yields new products and techniques, the patent battles have become fiercer, often spilling over to Hovione's clients.

Many of these clients in countries where Hovione patents are registered are small to medium-sized businesses, sensitive to pressure by US pharmaceutical giants against a competitor's product. Much of Hovione's business year is spent travelling to reassure clients and protect territory. Portugal's accession to the EEC gives the Villaxes access to the single European patent that costs far less than registration in separate countries, but no relief from their stand against the giants.

Several years ago they received the placet of the US Federal Drug Administration, whose inspectors check their products and installations regularly, and now sell 42 per cent of their annual exports to the US. This is a source of some pride to a company of 200 employees operating from what used to be an orange grove 10 km outside Lisbon.

Thirty-one of those employees, including three PhDs, are engaged in research and development; another 30 are draughtsmen and architects working on new equipment designs. The high technology of the 1970s and 1980s has helped Hovione's growth; calibration and manufacturing equipment unheard-of when the company was formed has increased accuracy, quality control methods and speed. Computerisation of the administrative side of the company, carried out over the past two years by the Villax's eldest son Peter, an Aberdeen university Economics graduate, has been a boon to accounting and marketing.

Having grown from the epitome of "Momma and Poppa" business to 50 employees in 1970, 100 in 1980 and to doubled capacity in 1984, the Villaxes are on the move again — to the South China Sea and the tiny Portuguese-run territory of Macao. Their second son, Guy, a business management graduate from the University of Buckingham, is in the Far East supervising construction of Hovione's Macao factory, which should start up later this year.

The factory has two purposes: to produce intermediate products from high-quality low cost mainland China raw material for Hovione to finish in Portugal, and to make finished products for the Far East market.

This year Hovione will be investing $2m in the business, compared with $1.2m in 1985 and $1m in 1984.

Diane Villax laughs when anyone asks her where she took her economics degree. "I'm uneducated," she exclaims. "On-the-job training is what I had."

The Villaxes are strong-willed, clever people whose success and enjoyment of it can overawe less confident personalities. They live on top of the shop as they always have: recently they acquired a new building around the corner from the rambling old house they and their Lisbon office occupied for 20 years, and put sales, accounts and a small staff canteen on the ground floor.

A youthful 61, with no sign of reducing his mountainous workload and many trips abroad, Ivan Villax shows off his plant with relish, patiently explaining complex equipment to novices. When he was young, working at Pasteur and living in a pension in old Lisbon, people did not discuss their business.

Most people thought the quiet, chain-smoking Hungarian was just another refugee among the many who made a new home in Portugal, living on a shoestring—not a dogged organic chemist preparing to take on even the toughest, largest pharmaceutical competitors.

'A cross between chess and Monopoly'

William Dawkins on new sick pay rules

IMPORTANT changes to sick pay rules come into effect on April 6 and the signs are that their impact will be far greater than many employers realise.

Deirdre Gill, the Institute of Personnel Management's expert on Statutory Sick Pay (SSP), says the scope of the rules will be greatly extended. "For small firms in particular, the changes will create difficulties. They will have to watch their absence controls closely," she warns.

The rule changes, coming oddly at a time when the Government is pledged to cutting red tape rather than increasing it, certainly do not evoke much enthusiasm among small business lobby groups. Bernard Juby, chairman of the National Federation of Self Employed and Small Businesses, which has always opposed SSP, complains: "It's like playing a cross between chess and Monopoly with somebody throwing away the rule book."

Stan Mendham, chief executive of the Forum of Private Business, believes the rule changes will make little difference because many small businessmen do not comply with SSP regulations anyway. "They don't keep records. They pay sick employees anyway and just claim retrospectively when they see a reasonable period off," he says.

Here is a brief guide to the new system. The main changes fall into four parts, most of which enlarge your responsibility for providing sickness benefits for staff.

● Employees now have the right to get SSP for up to eight weeks' illness before having to claim direct from the state, rather than through you. As from April, your liability to pay SSP goes up to 28 weeks.

● Under the present system, the SSP you would have to pay would be limited to 28 weeks per tax year. The tax rule gets scrapped, so that you will be liable for SSP in any single period of incapacity for work (PIW) no matter how much you have paid during the year. A PIW is any period of four or more full days of sickness and can include any day of the week, depending on the nature of your business. There is no change to the rule that SSP does not get paid for the first three "qualifying days" of a PIW.

● The present rules allow two PIWs to be treated as one if they are up to a fortnight apart. This so-called "linking period" will go up to eight weeks.

● All these changes would make it theoretically possible for you to end up having to pay SSP to one person for anything up to 10 years. To stop this happening, there will be a three-year cut-off point, after which the sick worker gets his or her benefits directly from the Department of Health and Social Security. However, such cases would be very rare, points out Gill. They would only happen if an employee had several short illnesses over a long period, all of them linked.

Those are just the broad outlines of the changes, more details of which can be found in the Employer's Guide to Statutory Sick Pay (NI 227) available free from any DHSS office. A shorter and more readable explanation is contained in Deirdre Gill's 30-page booklet Statutory Sick Pay—The New Rules, which costs £3.38 from the Institute of Personnel Management, IPM House, Camp Road, Wimbledon, London SW19 4UW. Telephone 01-946 9100. IPM members get the pamphlet at the lower price of £2.78.

In brief . . .

LEEDS Polytechnic's Brunswick School of the Environment is to repeat its course on converting buildings for small business use.

The two-day course, to be held on June 9 and 10, will cover subjects including selecting buildings, market research, planning and related problems, funding, marketing and management. Details from Leeds Polytechnic Intensive Courses Unit, Lawns Lane, Farnley, Leeds LS12 5ET. Telephone 0532 630505.

●

TACTICS FOR buyers, sellers and investors will be explained in a conference on management buy-outs to be held in London on April 10 and 11.

The 11 speakers, drawn from some of the leading venture capital groups, banks, accountants and solicitors in the field, will discuss how to structure deals, raising finance, tax planning and legal aspects of buyouts among other subjects. The venue is the Whitbread Brewery, Chiswell Street EC1Y 4SD, and tickets cost £454.25. Details from the Conference Organiser, Business Research International, 57/61 Mortimer Street, London W1N 7TD. Tel: 01-637 4383.

●

YOUNG entrepreneurs from all over Britain will be selling and displaying their goods at Young Industry '86, an exhibition to be held in Milton Keynes shopping centre from April 3 to 5.

The aim of the exhibition, the first of its kind, is to give sixth formers who have formed their own mini-enterprises at school a taste of what real business is like.

Many such ventures have been set up with the help of Young Enterprise, a privately backed group devoted to business training in schools.

Details from Milton Keynes Development Corporation — which is backing the event with a number of industrial companies — at Saxon Court, Central Milton Keynes MK9 3HS. Telephone 0234 59754.

●

GREATER London Enterprise Board and Haringey Council are to provide £500,000 annually for a local enterprise board.

The budget for Haringey Enterprise Board, which is due to be launched on Thursday, will be equally split between the two authorities. Two investments in small businesses have already been lined up: a £50,000 joint venture between the Haringey board and City University to develop electronic aids for people with speech problems and £15,000 for a start-up project to make security devices.

The board will offer consultancy and management advice for small businesses and will hold a portfolio of start-ups, rescue situations and joint ventures with local companies.

●

STOY HAYWARD, the accountancy firm, lists 125 sources of finance in the updated version of its guide to venture capital, issued last week.

The free booklet, Sources of Venture Capital in the UK in 1986, gives details of venture capital groups' investment preferences, their favoured types of business and realisation requirements. Copies from Stephen Greene, Stoy Hayward, 8 Baker Street, London W1M 1DA.

Record year for buy-outs

MANAGEMENT buy-outs lay behind an almost doubling in the rate of investment last year by Charterhouse Development, the oldest venture capital group in Britain.

In its first year under the ownership of the Royal Bank of Scotland, Charterhouse put a record £26.1m into 33 deals, of which £18.5m went into 14 buy-outs. The latter accounted for most of the growth in investment, with only £4m being channelled into seven buy-outs in the previous year.

Of the balance, £3.6m went into 10 development capital situations, £2.7m was spent on buying existing shares from managers of businesses already in the Charterhouse portfolio, while £1.3m went into start-ups. Overall investment was up 50 per cent in terms of the number of deals, but doubled in cash terms.

The breakdown provides a good reflection of a year in which UK venture capitalists complained that while there was an unprecedented demand for backing by large management buy-outs, good quality early stage investments were increasingly hard to find.

Robert Smith, Charterhouse's managing director, believes that buy-outs will continue to be a dominant feature of venture capital in 1986. "There is an almost inexhaustible supply of these things," says Smith, who is currently looking at "one or two" buy-outs worth £10m or more.

Like many others in the industry, he fears that the huge volumes of cash earmarked for buy-outs by the City has helped to drive up prices in some cases to unsupportable levels. For this reason, Smith says: "We are turning away a number of deals." Nevertheless, he still feels confident that Charterhouse will at least equal last year's investment record.

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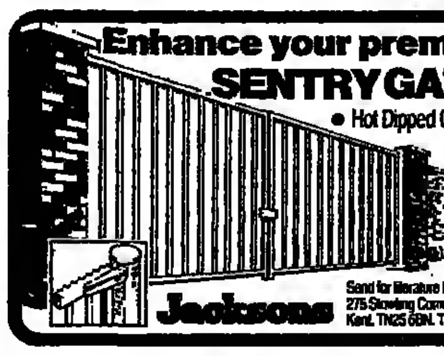

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Businesses For Sale

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The business assets and goodwill of Jenkins & Davies Limited, are offered for sale. The company is well established in the Mechanical Engineering industry operating from premises in Pembroke Dock. There is also a branch in Warrington. The business employs approximately 190 employees producing an annual turnover of £3 million.

For further details, contact Tony Thomas on tel: 0646 685895 or The Joint Receiver and Manager, Richard Smart at the address below, on tel: 0222 44191. Telex 498109.

Deloitte Haskins+Sells
Tudor House, 16 Cathedral Road, Cardiff CF1 6PN

Stonework Cleaning and Restoration

London, Bristol, Newcastle, Bolton

The business assets and goodwill of London Stone Limited, a subsidiary of ICC Oil Services PLC, are offered for sale. The company, which includes the business of Reparations Dreyfus, is well established in the stonework restoration business, operating from premises in Battersea, London SW11, with offices in Bristol, Newcastle upon Tyne and Bolton. The business employs approximately 120 employees, producing an annual turnover of £3 million.

For further details, contact Ralph Lyon on tel: 01-350 0843 or The Joint Receiver and Manager, Tim Harris at the address below, on tel: 01-236 6500. Telex 894941.

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P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX

THE BUSINESS CONNECTION

COMPANIES WANTED

Medium/High Technology company sought for acquisition or active equity investment by a private investor with extensive experience of the electronic and instrumentation industry. The business will probably have a turnover of £1,000,000-plus and will logically be capable of substantial growth.

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Businesses For Sale

Industrial Coatings

Doncaster, Aberdeen, Hull

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For further details, contact Edward Klempka at Doncaster on tel: 0302 25478 or The Joint Receiver and Manager, Tim Harris at the address below, on tel: 01-236 6500. Telex 894941.

Deloitte Haskins+Sells

P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX

Heavy Industrial Cleaning and Maintenance

Port Talbot

The business assets and goodwill of ICC Industrial Services, a division of ICC Oil Services PLC, are offered for sale. The business is highly regarded in the heavy industrial cleaning business, operating from premises in Port Talbot. The business employs approximately 25 employees, producing an annual turnover of £920,000.

For further details, contact Paul Davis at Port Talbot on tel: 0639 820261 or The Joint Receiver and Manager, Tim Harris at the address below, on tel: 01-236 6500. Telex 894941.

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Southampton

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For further details, contact David Stringer on tel: 0703 39456 or The Joint Receiver and Manager, Phillip Porter at the address below, on tel: 0703 34521. Telex 477334.

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Write Box H0623, Financial Times 10 Cannon St, London EC4P 4BY

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London/Cornwall

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For further information, please contact:
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For sale by the Joint Receivers as a going concern
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Peat Marwick Mitchell & Co
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Blackfriars, London EC4V 3PD
Telephone: (01) 236 8000 - Telex: 8811451

PEAT MARWICK

FOR SALE

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NOTICE OF PARTIAL REDEMPTION

Notice is hereby given that pursuant to the Fiscal Agency agreement as of December 13th, 1984, between SNCF and Banque Nationale de Paris (Luxembourg) S.A. the following Notes in the principal amount of US$7,000,000 have been drawn by lot and are due for redemption on March 25th, 1986, at the offices of the Paying Agents at 101% together with accrued interest thereon to said redemption date.

000001-000150	000201-000515	000528-000557
000819-001018	001044-001068	001255-001422
001435-002061	037585-037734	037760-037893
037944-038113	038139-038227	038431-039123
039137-039230	039371-039747	039823-040060
102458-102643	102736-102789	102823-102932

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APPOINTMENTS

Hill Samuel post

Mr Kenneth Morton will be joining the board of HILL SAMUEL GROUP in July as a full-time executive. He will also become a member of the executive committee, and will be joining the group's small central management team. He is finance director of Reed International, and was a director in the corporate finance department of Hill Samuel and Co. from 1971 to 1973.

★

Mr Malcolm J. Portlock has joined QUADREX SECURITIES, a private international investment bank, as board director and treasurer with specific responsibility to develop banking relationships. He comes from the English Association Trust.

★

British Telecom mobile phone division has appointed two directors to consolidate sales and marketing of its cellular telephone and radiophone ranges. Mr Charles Baker joins the division as director of marketing, responsible for product marketing and forward planning. He was formerly with Engineering Developments. Mr John Barker, previously general sales manager at Answerphone, is appointed director of sales.

★

POWERLINE ELECTRONICS, Reading, has appointed as directors, Mr James Peters and Mr Peter Clark. Mr Peters becomes southern area sales director, and Mr Clark northern England and Midlands area sales director.

★

SVENSKA FINANS (UK), a finance company in London within Svenska Handelsbanken, Stockholm, has appointed Mr Andrew Bell to the board.

★

Mr Kurt Hastinger will join the board of NORTHERN FOODS as a non-executive director on April 1. He was deputy chairman of Rowntree Mackintosh.

★

Mr Howard Watkins has been appointed chairman of WALTER LAWRENCE CONSTRUCTION. Mr Watkins, who will take the appointment part-time, recently retired as a senior director of Fairclough Construction Group.

★

Mr Peter Laister, formerly chairman and chief executive of Thorn EMI, has been appointed a non-executive director of FLIGHT REFUELLING (HOLDINGS) ... [mainly illegible] Mr Roger Kitley, sales director, and Mr Bryan Meckey, director of engineering and operations, also join the board.

★

Mr Charles Donovan has been reappointed a full-time member of the BRITISH GAS CORPORATION for three years from March 1. He is managing director (personnel).

★

LAPORTE INDUSTRIES (HOLDINGS) has appointed Dr David Campbell as European manager for the electronic products and services division. He was managing director of the Micro-Image Technology Group, Derby, which was acquired by Laporte in 1983. Mr Andrew W. Hutchison becomes group managing director of Micro-Image Technology. He is group operations director.

★

The following have been elected to the executive committee of the ISSUING HOUSES ASSOCIATION: Mr G. H. Walsh (Morgan Grenfell and Co.), chairman; The Lord Rockley (Kleinwort, Benson) deputy chairman; Mr W. L. Banks (Robert Fleming and Co.); Mr A. H. C. Broadhead (J. Henry Schroder Wagg and Co.); Mr P. J. Byrom (N. M. Rothschild and Sons); Mr D. O. Horne (Lloyds Merchant Bank); Mr J. F. de Blocq van Kuffeler (Brown, Shipley and Co); Mr I. A. N. McIntosh (Samuel Montagu and Co.); Mr D. Reed (County Bank); and Mr A. M. Sorkin (Hambros Bank).

★

Mr Mike Garton has been appointed managing director of A. C. NIELSEN CO., Oxford, from March 1. He succeeds Mr Malcolm Smyth, who continues as chairman while devoting more time to international commitments.

★

Mr Ronald G. Hooker has been elected president of the ENGINEERING EMPLOYERS' FEDERATION. He is chairman of Dubilier, Henry Sykes and Thos. Storey (Engineers), deputy chairman of UKO International and director of GEI International. He is also senior industrial adviser to Hambros Bank.

★

Mr David G. Unsworth, manager of Oldham-based stonemasonry firm S. AND J. WHITEHEAD, a wholly-owned subsidiary of G. Dew and Co., has been appointed a director.

★

Following the retirement due to ill health of Mr Sydney Skinnin, the ISLE OF MAN STEAM PACKET COMPANY has appointed a new chairman, Mr Norman Corlett, who has been a director for more than two years. Mr Corlett is a substantial Steam Packet shareholder and the principal of the island's largest brick manufacturer, N. R. Corlett.

★

CROSS INTERNATIONAL, Knowsley, has appointed Mr Maurice L. Haynes as managing director. He succeeds Mr Eden A. Diver who will now concentrate on his responsibilities as vice president, eastern hemisphere operations, for the Cross Company, a subsidiary of Cross and Trecker Corp., US. Mr Haynes was UK operations manager with Valenite Modco.

★

MASDAR (UK), Workingham, has appointed Dr Robert Jarrold to the main board, to be responsible for marketing.

FINANCIAL TIMES SULTANATE OF OMAN SURVEY

November 11, 1985

This 12-page Survey has been reprinted as a booklet and is now available at the price of £5.00 (including p&p). For your copy please send cheque/PO, payable to the Financial Times Limited, to:

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Dublin attacks Unionist 'falsehood' over accord

BY HUGH CARNEGY AND MARGARET VAN HATTEM

MR PETER BARRY, the Irish Foreign Minister, delivered a stinging attack on the Unionist leadership in Northern Ireland yesterday which abruptly ended the conciliatory tone Dublin had struck since signing the Anglo-Irish agreement last November.

Mr Barry's speech was timed for maximum impact on the eve of a meeting in London today between Mrs Margaret Thatcher, the UK Prime Minister, and Mr James Molyneaux and the Rev Ian Paisley, leaders of the two main Unionist parties. The speech seemed to indicate that the Irish Government has lost patience with stubborn loyalist opposition to the accord.

At the London talks, Mrs Thatcher is expected to offer the Unionists a formal role in Northern Ireland policy making, parallel to that of the Dublin Government under the November agreement.

Mr Barry, who was co-chairman of the Anglo-Irish conference with Mr Tom King, the Northern Ireland Secretary, said: "Let me put my message in a nutshell. I profoundly believe that the Unionist people are now being misled in a most grievous way by their own leaders and I believe that that is both a scandal and a tragedy."

Speaking in Cork, his political base, Mr Barry said Unionist politicians had indulged in "a tissue of deliberate falsehood" about the agreement. "It is deliberately geared to whip up hysteria among a confused and frightened people. As such it is dangerous... those who are promoting the campaign have a heavy responsibility to bear," he said.

He attacked senior Unionists for threatening violence if they did not get their way. "I am saddened and troubled to see self-proclaimed constitutional politicians align themselves publicly with the very organisations – the UDA for example – which are responsible for the most barbarous campaign of sectarian savagery seen for centuries in Ireland, a campaign which is again stirring in Belfast."

The UDA – the Ulster Defence Association – is a banned loyalist paramilitary organisation.

Mr Barry dismissed as a "big lie" loyalist allegations that the Anglo-Irish agreement was brought about by the IRA's campaign of violence, or that it was the first step towards Irish unity and allowed him to dictate policy to Mr King. The days of Unionist "domination and triumphalism" were gone forever but equally the "evil green racism" was rejected.

The speech could hardly be in greater contrast to the efforts by Dublin officials until now to sooth Unionist anger over the agreement by sympathising with their frustrations and stressing that the republic intended no claim to the North.

Its apparent intention to appeal over the heads of Unionist leaders to their own people by adopting their aggressive style is, however, hardly likely to succeed.

Mrs Thatcher's proposals to the Unionists today are likely to include that, after all sessions meetings of the Anglo-Irish inter-governmental conference, there could be formal meetings at which the Unionists would be kept informed on the issues under discussion between the two governments and invited to put forward their own proposals and recommendations.

Mrs Thatcher will be accompanied at today's talks, to be held at Downing Street, by Mr King. On Thursday they are due to meet Mr John Hume, leader of the Social Democratic and Labour Party in the province.

Today's meeting is the first by the UK Government with Unionist leaders since the 15 Ulster by-elections on January 23, held after Unionist MPs resigned in protest at the Anglo-Irish agreement.

Mr Molyneaux and Mr Paisley are expected to claim that the high vote in the by-elections for Unionist candidates demonstrates overwhelming hostility to the agreement.

COMPETITION URGED IN CIVIL AVIATION MARKET

BCal calls for air policy review

BY LUCY KELLAWAY

BRITISH Caledonian (BCal), Britain's largest independent airline, yesterday called for an urgent review of government policy on competition in the civil aviation market, arguing that the latest attempts at reform had failed.

Speaking at the company's annual meeting at Gatwick Airport, south of London, yesterday, Sir Adam Thomson, the group chairman, said that the flotation of British Caledonian Group, the airline's parent company, could not go ahead this year as a result of uncertainties in the industry. But he added that the group still intended to "plan for the time when flotation will be a practical proposition."

The group announced record profits yesterday of £21.7m for the year to October 1985, compared with £15.9m the previous year.

Sir Adam complained that the value of "horse trading" of airline routes, intended to strengthen BCal's competitive position, had been far less than Department of Transport estimates. He said that the Saudi Arabian routes, which BCal had gained in return for its less profitable South American ones, had become less attractive as a result of falling oil prices.

The Government's White Paper (policy document), Airline Competition Policy, was a "hollow document" he said, because it underestimated the hostility of foreign governments to competing against two British carriers. He reasserted that the fundamental problem for the industry was the domination of British Airways.

"Stated policy does not quite tally with the actual position where the dominant British airline remains more than five times the size of its next largest competitor," he said.

There was an urgent need for reforms to take place before the privatisation of British Airways, scheduled for this summer, after which the Government would not be able to carry out any reforms, Sir Adam claimed.

BCal is shortly to seek a meeting with Mr Nicholas Ridley, Transport Secretary, to discuss its position. It will also request a renewal of the Airlink Helicopter licence, and for "realistic proposals" concerning the distribution of traffic between the three airports in the south-east of England.

Group turnover rose last year to £602m from £526m in 1984, while turnover from BCal Airways, the largest part of the group, rose from £415m to £487m, generating pre-tax profits of £21.7m (£16m in 1984). During the year scheduled passenger numbers rose by 8.5 per cent, while cargo and mail rose by 10 per cent.

Lex, Page 26

Potential N-waste sites to be named

BY DAVID FISHLOCK, SCIENCE EDITOR

SEVERAL POTENTIAL nuclear waste sites are expected to be named today by the Government and UK Nirex, as locations the company wants to study in detail before making a final choice for its proposed £200m repository.

The Government plans to bring a special development order before parliament, seeking planning permission for UK Nirex to drill boreholes in order to explore the geology of the potential sites.

Provided MPs give consent, the company will be spared the further delay of a public inquiry at this stage of its investigations. A public inquiry will be called by the Environment Department when the company has selected its preferred site and designed a repository for it.

The short list to be announced today has been selected from about 2,000 possible contenders, mainly in the clay deposits of the Midlands and the north of England.

Mr John Lyons, secretary of the Electrical Power Engineers' Association, yesterday released the text of a letter sent to the Government last month, urging a delay in announcing nuclear waste sites.

The letter, addressed to Mr Baker on behalf of the Electricity Supply Trade Union Council representing nine electricity industry unions and about 150,000 employees, argues for further public discussion of the nuclear waste issue.

These unions believe "a better informed public would be less open to manipulation by opposition groups, and less hostile to safe and reasonable solutions."

Mr Lyons, as secretary to the council, said yesterday they were releasing the letter because they were "dismayed that the Government should have ignored our advice."

Distillers battle returns to courts

By David Goodhart

THE VIGOROUSLY contested battle between Guinness and the Argyll Group for control of the Distillers spirits company will today return to the courts.

Argyll is applying for a judicial review to try to block the new agreed Guinness bid for Distillers, it was revealed last Thursday after the Monopolies and Mergers Commission (MMC) had agreed to lay aside the previous Guinness bid which had earlier been referred.

The second Guinness bid – valuing distillers at about £2.35bn – marginally improved upon the share value of the Argyll bid. There remains, however, a strong possibility that Argyll will attempt to make one final improvement to its own offer which has been cleared by the MMC.

Meanwhile Argyll is hoping that its judicial review, against the MMC, will today be given the go ahead, in which case it could come to court within a few days.

Argyll's main argument in favour of quashing the latest Guinness offer is that it is not sufficiently different from the first one which was referred on the grounds of joint market share in the scotch whisky industry.

NatWest scraps home loan differential rate

BY MICHAEL CASSELL

COMPETITION for mortgage business in the UK is stepping up with yesterday's decision by National Westminster Bank, to scrap differential interest rates and charge 13 per cent on all home loans.

The move will now almost certainly be followed by other banks and puts increasing pressure on the building societies to abolish the higher interest rates charged for endowment-linked loans.

NatWest lends about £1bn a year in home loans and has the largest mortgage business of any of the UK banks. It said that it was abolishing the extra 0.5 percentage point charged on endowment mortgages, as well as premiums of up to 1 percentage point levied on pension mortgages.

The reduction in endowment charges, which takes effect at once for new borrowers and from March 1 for existing customers, will mean a monthly saving of about £8.75p net on an endowment-linked loan of £30,000.

Lloyds Bank has already dropped the 0.5 percentage point premium charged on endowment loans, although only for new borrowers. Barclays Bank, which imposes a 1 percentage point premium on endowment mortgages, is likely to follow NatWest's example within the next few days. Midland Bank, which charges an additional 0.5 percentage point, said yesterday that it was "looking at its existing mortgage package."

The move makes it almost certain that the building societies, most of which have only recently stopped charging higher interest rates for larger loans, will soon have to eliminate premium rates on endowment business. Most of them charge an additional 0.25 per cent to 0.5 per cent for this type of loan.

The NatWest announcement formed part of a package of measures designed to increase the bank's mortgage business. The bank is also offering 95 per cent mortgages to first-time buyers and 90 per cent to existing borrowers, compared with the previous 80 per cent ceiling. Loans equivalent to three times borrowers' earnings will be considered, as will mortgages in excess of 30 years.

Child benefit payments to be lifted in July

CHILD BENEFIT payments are to be increased by 10p to £7.10 a week from July as part of a Government attempt to take the sting out of Conservative backbench pressure on the issue, Peter Riddell writes.

Mr Norman Fowler, the Social Services Secretary, announced the increase in the House of Commons yesterday during a statement an the uprating of social security benefits, most of which will rise by 1.1 per cent from the same date.

The main political interest has been focused on child benefit since both the opposition parties and a sizeable group of Tory MPs have pressed for a substantial rise, partly to make up for the failure to maintain the real value of the benefit in last November's uprating.

□ DAVY CORPORATION is reinforcing its iron and steel plant engineering business by purchasing Distington Engineering and Contracting (DEC) from British Steel Corporation for about £1.5m.

DEC which employs 140 at Workington, Cumbria, north-west England, designs and installs steel works, plant and equipment, and specialising in continuous casting for which there is still a healthy market.

Davy whose present workload includes the construction of two blast furnaces in Korea and a cold rolling mill in Yugoslavia, said the workforce and activities at Workington would be maintained.

□ FARLEY Health Products has been told by the Government that production of the company's milk powder products can resume.

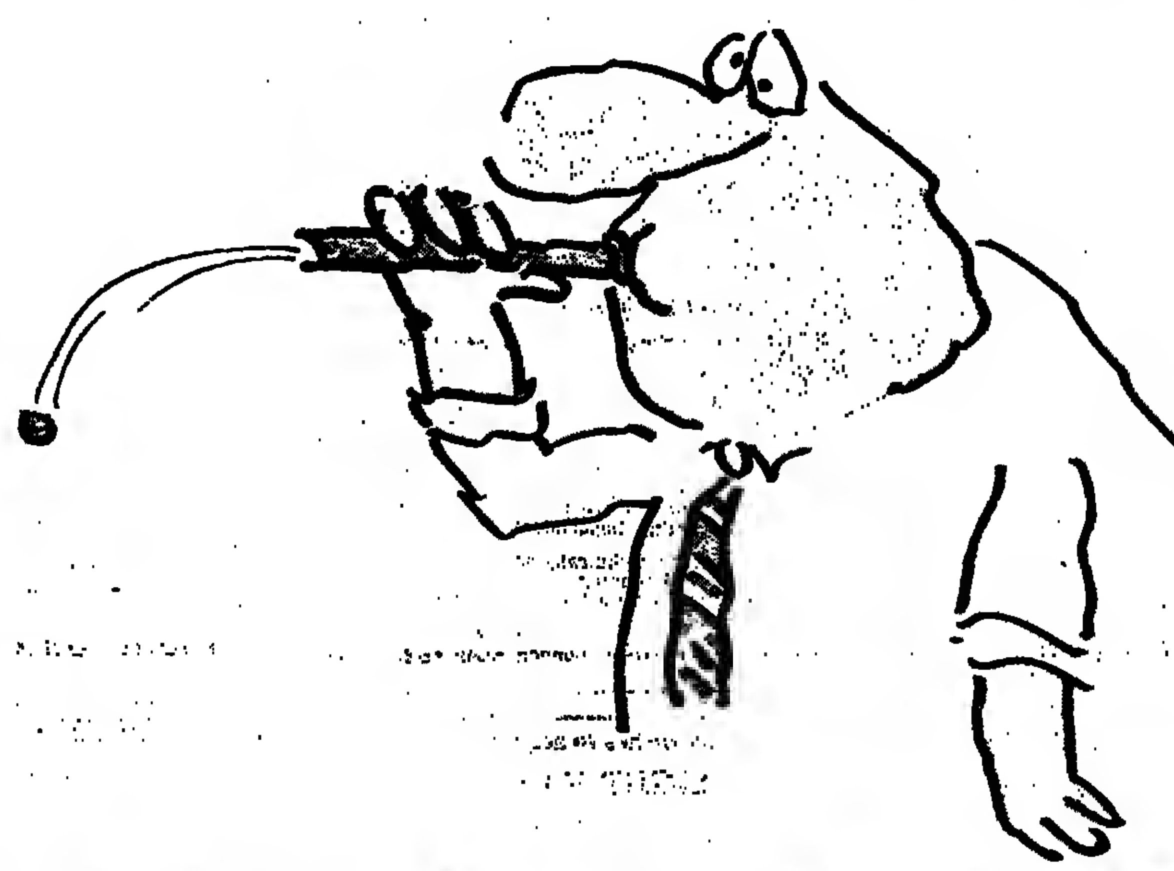
Farley voluntarily ceased production at its Kendal, Cumbria, factory in December after it was connected with an outbreak of salmonella poisoning.

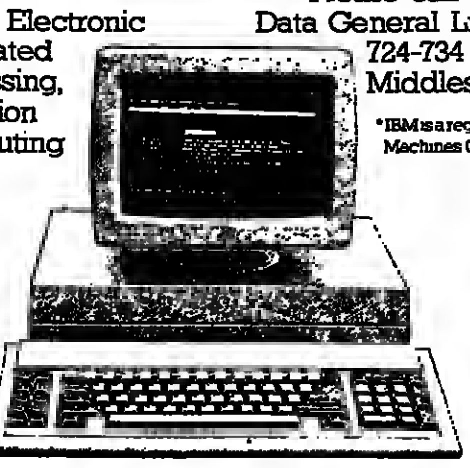
□ DEBENHAMS, the department stores group taken over last year by Burton Group, is to stop food retailing operations at nine stores with the loss of up to 360 jobs.

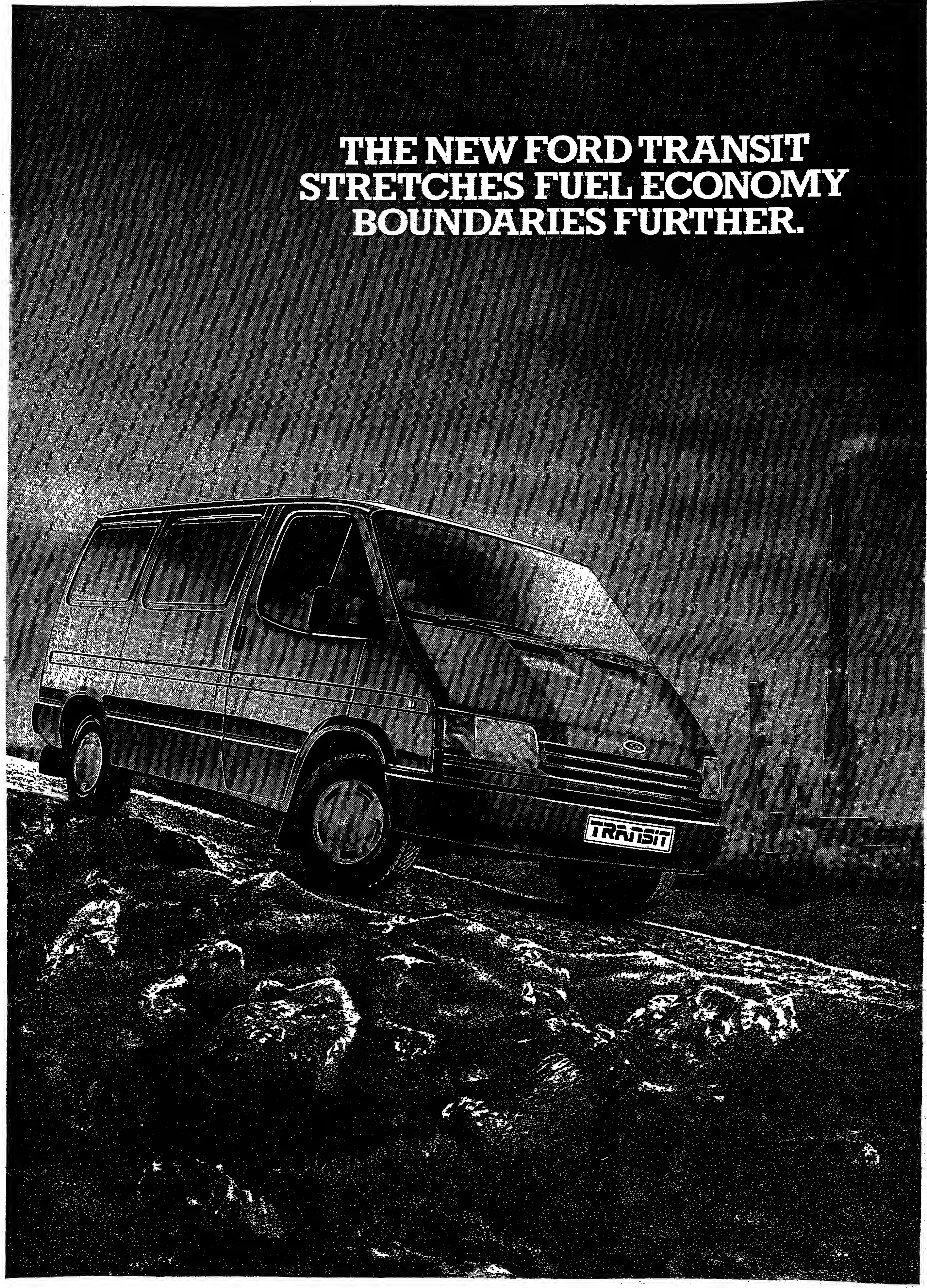
□ PLAYHOUSE Theatre in Northumberland Avenue, London, will reopen next year after a 35-year closure. Finance for redevelopment will come in part from funds raised through the issue of shares under the Business Expansion Scheme.

□ A NEW kind of medical research institute is planned to come into operation in Oxford in 1988, at an initial cost of about £2.5m. The Institute of Clinical Molecular Biology will aim to bring the new discoveries in "genetic engineering" to the aid of sick people.

□ A MEMORIAL service for Mr Brian Lawrence, a former managing director of St Clements Press, printers of the Financial Times, who died last month, will take place at noon tomorrow at St Bride's Church, Fleet St, London.



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UK NEWS

Cut in inflation 'top of Thatcher list of successes'

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET Thatcher, the Prime Minister, yesterday placed the reduction in the inflation rate in the past seven years as the centrepiece in a long list of her Government's achievements since taking office in 1979.

Five parliamentary written answers were published yesterday, replying to questions from Tory backbenchers in which Mrs Thatcher provides a highly detailed list of her Government's record as a whole; her policies towards the lower paid, towards the efficiency of government and towards assisting small business.

The intention is clearly to provide material for Tory MPs to answer the Government's critics, especially as the season of constituency party annual meetings is coming up over the next few weeks.

The answers contain nothing new about new government policy since they are primarily retrospective, but the emphasis is significant in the stress on the reduction in inflation, on privatisation and on improving the operations of markets.

Mrs Thatcher notes that the rate of inflation is almost half the level the Government inherited, with further falls in prospect. She adds that the UK is in its fifth successive year of growth with gross domestic product at an all-time high.

The Government, she claims, "has restored sound public finances."

"Public expenditure has been falling as a percentage of GDP since 1982-83 and is planned to remain broadly stable at the 1984-85 level in real terms over the next three years. The public sector borrowing requirement in 1985-86 is forecast to account for the smallest proportion of GDP for 14 years," she says.

The Prime Minister also noted that since 1979 the Government had transferred 12 major companies and a number of other enterprises to the private sector. "By the end of this Parliament 40 per cent of the state-owned industrial sector we inherited in 1979 should be returned to private enterprise."

"The Government has introduced a large number of measures designed to improve the operations of markets. Pay, price and dividend controls have been abolished together with controls on foreign exchange, bank lending and hire purchase, and restrictions on office and industrial development."

Mrs Thatcher also lists a whole series of measures to reduce regulations and to improve competition. Considerable stress is also put on the strengthening of the safeguards against fraud and to ensure that the probity of financial institutions is maintained without undermining their competitiveness.

Mrs Thatcher also lists initiatives in education and the social services to improve standards and opportunities. In housing, the Prime Minister says that the number of home owners has increased by 2.25m in Britain and owner-occupation is now 62 per cent. The proportion of young people owning their own homes is the highest in Europe. Mrs Thatcher makes only a brief reference to the trade union legislation compared with other aspects of policy.

In other questions, Mrs Thatcher points to the series of proposals to improve the management and efficiency of the Government, including the reductions in the size of the Civil Service, efficiency scrutinies and the reviews of government purchasing and accommodation.

The Prime Minister also claims that "in the improved climate for business there has been an increase generally in the sources of finance for small firms." She also emphasises the planned increase in expenditure by the Manpower Services Commission on the Training for Enterprise programme to help small businesses. Expenditure on this programme will increase from about £14m in the present financial year to £20m in 1986-87.

In relation to the lower paid, Mrs Thatcher says that the co-operation over fiscal and social security policy is "a matter of great concern." She notes that successive budgets have ensured that many of the lowest paid have been taken completely out of tax, while the reformed structure of national insurance contributions has relieved the burden of contributions on the low paid.

Warship builders prepare for launch into private sector

Bids must be made by this afternoon in the state sell-off of Vickers and Cammell Laird. Andrew Fisher reports on the prospects for two of the UK's most famous shipyards.

THE DEADLINE for bids for two of Britain's best-known warship builders is today. One is the biggest and most profitable yard in the country, the other a heavy lossmaker which was at death's door just over a year ago.

A recipe for disaster? Many people in shipbuilding would have answered "yes" last year. But while the joint sale of Vickers, the submarine builder in Cumbria, north-west England, and Cammell Laird on Merseyside appears to have attracted only two bidders, the outlook for both yards is highly favourable.

Vickers, which will build the submarines for the controversial £10bn Trident nuclear missile programme, employs 12,500 people in Barrow-in-Furness and makes trading profits of some £20m a year.

Cammell Laird is now in the warship sector after a disastrous move under British Shipbuilders (BS), the yard's parent since nationalisation in 1977, into the demanding world of offshore rig-building. It employs only 1,400 and loses over £6m. But it has orders stretching into the 1990s.

Together the yards could fetch over £50m. The bidders are the management and workforce of the yards, backed by institutions, and Trafalgar House, the UK property, construction, engineering and shipping group. The yards will be sold together as Vickers Shipbuilding and Engineering (VSEL).

Offers have to be in by late afternoon, with BS and Lazards, its merchant bank adviser, due to notify the Government of its choice shortly, possibly this week.

Trafalgar House, outbid by General Electric Company of the UK for the Yarrow warship yard in Scotland, was formally deciding last night whether to bid, but it has made plain that it would like to buy VSEL.

It looked late last week as if the sale could be thrown into disarray. In an embarrassing government mix-up, the Ministry of Defence suggested a delay in the deadline because the Trident contract still had to be completed. But the Department of Trade and Industry, handling the sale, said Tuesday should remain the cut-off date.

This was after the buy-out consortium told the department that its bid would suffer through delays. Trafalgar also indicated that it would withdraw if the basis of the sale changed.

The hitch over Trident, which will be worth some £1.6bn to Vickers for four nuclear missile-carrying submarines, came because hard talks are still taking place over what would happen if the Labour Party gained power and cancelled the project.

It has said it will do this but provide alternative work. The present Conservative Government has reaffirmed its commitment to Trident but the contract for the first submarine has yet to be signed. The yard's management, worried about the costs of switching to other contracts, wants compensation terms to be more comprehensive than usual.

With the prospect of Trident, Vickers' workload looks well assured. But Cammell Laird became a subsidiary of Vickers last year – the yard has no connection with the quoted Vickers industrial company, its former owner – to make it saleable.

So why should anyone want to buy a company combining a steady profit-maker with one that has run up huge deficits? Vickers is seen as the jewel of the warship yards that the Government has told BS to privatise, but Cammell's reputation was tarnished by its recent labour record.

The answer has several parts: the determination of the Cammell workforce to face down militants; a tough management stance over the same issue, which sprang from a need to make compulsory redundancies; and a government reward of a much-needed frigate order.

Thus Cammell Laird is no longer the stricken animal it seemed to be in 1984. Workers braved jeering pickets to keep their yard open and Cammell now leads Vickers in productivity and modern shipbuilding methods.

"It was very bitter," recalls Mr Gerry Reeves, local secretary of the Confederation of Shipbuilding and Engineering Unions. "I would never want to go through it again. But if it came up, we'd do it." Echoing his views, Mr Frank Innelli, chairman of the foremen's committee, says: "We've no sympathy with those who went to jail."

The future of their yard, therefore, is of more than usual concern to the employees. Not surprisingly, the Cammell Laird workforce mostly favours the buy-out consortium against Trafalgar, an unknown quantity to most in Birkenhead on Merseyside. But at both yards, there is still scepticism about the scheme.

"We'd certainly as a body seriously consider buying shares in our own industry," says Mr Reeves. "We certainly don't want to let people like Trafalgar House think they can walk in and take over."

Trafalgar is aware that, where Cammell Laird is concerned, the events of 1984 that fused a new spirit at the yard make the company a definite outsider in the workforce's view.

Politically, too, there could be strong arguments for involving workers in the future of the yards. For the Government, wider share ownership is a key dogma, even though it will be City of London institutions that put up most of the money for the VSEL buy-out consortium.

Mr Eric Parker, chief executive of Trafalgar, says the yards are attractive because they have reasonable order books, about £1.2bn for Vickers and Cammell Laird, after the latest batch of submarine orders for both yards (excluding Trident construction).

"The business is being sold on the basis of who offers the best terms," notes Mr Parker. "I'd be dismayed if the management buy-out concept was given preference not on the basis of price and the terms we offer, but because it was politically more acceptable."

He adds, however, that he does not believe preference will be shown for mainly political reasons. Trafalgar already owns Scott Lithgow, bought from BS after it also ran up heavy losses on rigs. But it has so far failed to find new offshore business for the yard.

Those involved in the VSEL buy-out, headed by Mr Rodney Leach, chief executive, hope the Government will be swayed by its scheme. Workers have been offered interest-free loans and free shares if they buy at least £200 worth themselves.

Shares have been offered to residents of Barrow and Birkenhead.

Royal dockyards plan, Page 22

Maxwell sacks 820 in Scotland

By Mark Meredith, Scottish Correspondent

ABOUT 820 journalists and printers from the Scottish Daily Record and Sunday Mail yesterday decided to work normally despite being dismissed by Mr Robert Maxwell, the newspapers' publisher.

Mr Maxwell sacked the workers and stopped production of Monday's Daily Record at its Glasgow works after failure to get an agreement to produce an edition of the Daily Mirror for Ireland.

Mr Allen Watson, Scottish branch secretary of Sogat '82, the general print union, told a press conference in Glasgow: "We do not deem ourselves to be sacked. Our members will work normally."

Mr Mike Smith, a national official of the National Union of Journalists, said his members would also work normally. Both unions said they were prepared to negotiate with management.

Management at the Daily Record's headquarters refused to talk to journalists.

The dispute over producing an edition for Ireland followed earlier plans by Mr Maxwell to produce a new north of England edition of the Mirror from Glasgow and to introduce new working practices in Scotland.

Mr Maxwell wants to use the Scottish presses for his expansion because of their capacity to handle colour.

Yesterday Mr Smith said: "There is no doubt in our mind that what lies at the heart of this is change in possibly the two most successful newspapers in Scotland, the Daily Record and the Sunday Mail and that the ultimate intention – however he brings it about – is to introduce the Daily Mirror into Scotland to supplant in one form or another the existing titles.

Mr Watson of Sogat produced photocopies of Monday's edition of the Daily Record which was stopped shortly before it was due to be printed.

He said an unsavoury scene developed in the press room where a member of Record management spreadeagled himself in front of a camera used to make printing plates to prevent them being used.

The unions have pinned their hopes on public reaction to the stopping of the Scottish mass-circulation newspaper and in staying clear of industrial action that might be considered a provocation for further action.

UK NEWS

Private tenders planned to run royal dockyards

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE GOVERNMENT'S controversial plans to privatise the management of the Royal Naval Dockyards moved forward yesterday with an announcement by the Ministry of Defence that 13 companies wanted to tender to manage one or other of the yards from April next year.

The 13 companies, which include one US concern, the Foster Wheeler Engineering Group, were responding to the Defence Ministry's request for pre-qualification papers prior to tenders being invited in April.

Formal bids are due on August 1 for the five to seven-year management contracts that will be awarded in December.

Six companies want to tender only for the management of Devonport in south-west England, the largest of the two yards with a workforce of some 12,000 and annual ship repairing and refitting business of about £240m.

They are Devonport Dockyards, involving a team of civil servants and naval officers from the yards' present managemeot; a consortium of Trafalgar House, Plessey and A&P Appledore; Vickers Shipbuilding and Engineering, itself the subject of privatisation; and Foster Wheeler.

Seven companies are interested in tendering only for Rosyth, in Scotland. It has a 6,000 workforce and about £170m in annual business, mainly refitting submarines.

The companies are: Babcock International and Thorn EMI Electronics, acting together; Balfour Beatty; the Weir Group; Press Offshore; Northern Engineering and Tyne Ship Repair. MEL, the Philips subsidiary, and Cossor Electronics are interested in both yards. Several of the companies, including the last three as well as Foster Wheeler and Vickers, have told the Ministry of Defence that they would expect to form partnerships

Five companies told the MoD they were no longer interested. They are British Aerospace Dynamics Group, Hawker Siddeley Power Engineering, Flight Refuelling Services, Taylor Woodrow Construction and the Marconi Company.

Tax cuts 'still possible despite fall in oil price'

BY OUR ECONOMICS STAFF

MR NIGEL LAWSON, Chancellor of the Exchequer, could still afford to make tax cuts almost as large as be predicted last year, despite the drop in revenue from oil taxes, according to Professor Patrick Minford of Liverpool University.

The overall effect of falling oil prices is beneficial to the UK, despite the short-term effect on government revenues, Prof Minford said in London yesterday at a semioar organised by stockbroker Laurie Milbank. The Government could therefore come close in this year's budget to the £3.5bn tax cuts eovisaged in last year's budget statement.

"Britain is essentially an oil consumer, and only marginally a net oil exporter", he said. "An oil price of $10 a barrel holds no terrors."

The Prime Minister and the Chancellor have in recent weeks moved to dampen expectations of big tax cuts in the budget oo March 18.

Although lower oil prices will cut oil tax revenues by about £6bn next year, Professor Minford said £1bn of this would be recouped elsewhere because of faster growth in the UK economy. In addition, public spending will be reduced in real terms, and sales of nationalised industries could be increased above the £4.75bn currently forecast.

Government borrowing in the current fiscal year could be below £6bn, compared with the Chancellor's forecast in November of £8bn, Professor Minford said. This, with a slight increase in the public sector borrowing requirement above current planning targets, would give the Government room for almost the entire £3.5bn of tax cuts originally envisaged.

Workers at BL oppose sale plans

By David Thomas

LAND ROVER and Freight Rover workers yesterday demanded that their companies remain in British ownership and that they be consulted about any takeover proposals.

The demands were made at mass meetings of manual workers at Land Rover's Solihull plant in the West Midlands and at the Birmingham plant for Freight Rover, which makes Sherpa vans. Both plants are part of the state-owned BL vehicles group. The meetings, held during the lunch break, did not disrupt production.

After the meetings, Mr Joe Harris, union convener at Land Rover, said that the workers were overwhelmingly opposed to any takeover. "We want to remain British and independent and public," he said.

Mr Harris said there was little enthusiasm for the management buy-out option being suggested for Land Rover, but the workforce might be forced to support that option as second best.

The Freight Rover workers in Birmingham passed resolutions asking to be consulted in a ballot by the Government and the company, as well as to be kept in British hands.

Mr Richard Gould, Transport and General Workers' Union convener at Freight Rover, said: "The Government and the company have screamed at us in the past about holding ballots, so now we're asking for one."

The workers are organising a petition, public meetings and a lobby of Parliament to press their case. A delegation of union officials is due to discuss the proposed takeover with Mr Peter Morrison, Industry Minister, today.

Mr Edward Heath, the former Tory Prima Minister, warned at the weekend that the Government would pay dearly if it insisted on steam-rollering through its proposals to "sell out" parts of BL to General Motors of the US.

He claimed the British people were hitterly opposed to such an "unacceptable form of privatisation."

Collapse in output prompted talks with truck makers

Kenneth Gooding traces the beginnings of General Motors' interest in BL's commercial vehicles

COMMERCIAL VEHICLE output in the UK plummeted to its lowest level for 35 years in 1984 and an alarmed British Government called together the three leading producers – BL, Ford and General Motors – to see what could be done to strengthen the industry.

The beginnings of GM's interest in state-owned BL's commercial vehicle operations date back to that time in the autumn of 1984 when Mr Norman Tebbit, then Trade and Industry Secretary, persuaded the three companies to talk to one another.

It became possible, yesterday, to piece together some of the important subsequent events. There appears to have been only one, brief, exploratory session between BL and Ford. Both sides quickly came to the conclusion that there was little compatibility between their two commercial vehicle ranges.

Indeed, the BL negotiators gained the distinct impression that Ford wanted to leave the heavy truck business. However, Mr Mike Hammes, Ford of Europe's vice president, truck operations, recently insisted that the group remains committed to the heavy truck business but that substantial changes must be made.

After the talks with BL, Ford started wide-ranging negotiations with Iveco, Fiat's heavy commercial vehicle subsidiary, about future co-operation talks which might well have an impact on heavy truck production in the UK.

In 1984, BL's early conversations with GM showed that there were some potential advantages in an association between Leyland Vehicles and GM's Bedford commercial vehicle division.

Initially the talks were between Bedford and Leyland with observers from GM in the US sitting in. The two sides began by considering the potential for exchanges of components, for example, Leyland could produce axles for Bedford and make some trucks for the GM company.

By the end of 1984 so much progress had been made that the negotiations were widened and working parties set up by both sides.

While the early talks concentrated on what mutual benefits there might be in putting the truck and van businesses together, BL and GM sources insist that, even at that early stage, GM made it clear it would like to look at the Land Rover operations later.

In June 1985 the outline of a deal for trucks and vans had been prepared. Bedford heavy trucks would be replaced by Leyland's new models, launched during the previous four years as part of the group's state-funded £320m investment programme.

GM could also see benefits from taking over the Freight Rover company, which makes Sherpa vans, particularly as both Bedford and Sherpa were to replace their current van ranges in 1989-90 and could share the cost of development.

At that stage – June 1985 – GM formally asked to look at the Land Rover company. By June, GM had formally outlined proposals which included the whole of Land Rover-Leyland, BL's commercial vehicle division, except for the bus operations and some overseas companies.

The deal could have been finalised and control of Land Rover-Leyland passed to GM before Christmas 1985. Mr Bob Price, executive vice president of GM's overseas group, insisted at the weekend that this was not done because "GM had to look at everything very carefully."

BL sources suggest that GM's bureaucratic structure, where proposals have to make their way through several committees, was mainly to blame for the delay.

Similar complaints about GM's apparent inflexibility were made by executive of Enasa, the state-owned Spanish heavy truck group, which was involved in talks with GM at the same time last year.

In both cases the situation was made worse by constant changes of senior personnel within the GM truck and bus division headquarters in Pontiac, Michigan.

ICI succeeds in appeal on tax concessions for oil companies

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

PROPOSED TAX concessions to laading oil companies Shell, Esso and British Petroleum (BP) in respect of their petrochemicals operations would be a breach of both English and Common Market law, the Court of Appeal in London ruled yesterday.

In a judgment with serious implications for the Mossmorran project in Scotland operated jointly by Shell and Esso, and for BP's Grangemouth, Scotland, plant, the court held that any arrangement by the Inland Revenue reducing the amount of petroleum revenue tax payable by the companies on ethane gas from the North Sea would breach the 1982 Finance Act and be an illegal subsidy or "aid" under the Treaty of Rome.

The ruling was a victory for Imperial Chemical Industries (ICI), which had complained that the Government was favouring its petrochemicals competitors and putting at risk ICI's Wilton plant on Teesside in north-east England.

The three appeal judges granted ICI's claim for a declaration that any agreement already made between the Revenue and the oil companies was invalid.

The Revenue had throughout the case refused to say if any such agreement had, in fact, been entered into, arguing that it would be against the public interest to breach the confidentiality of a taxpayer's affairs.

The case concerned the price at which North Sea oil companies can sell ethane to their petrochemicals associates. Ethane is used to make ethylene, which is used in the manufacture of a range of petrochemical products.

ICI makes ethylene from naphtha, a substance not covered by special valuation provisions introduced into the 1982 Finance Act. ICI contended that its oil rivals had been enabled to reduce their tax burden, by selling their ethane to their associates at about half the market price.

The Government introduced the special provisions after being told by Shell and Esso that, without tax concessions, the £500m Mossmorran project would be uneconomic, with serious implications for employment in Scotland. BP negotiated a similar arrangement for its Grangemouth plant.

ICI contended that the Government's valuation method produced a 1982 figure for the oil companies of only 10p per therm, when the market price was 26p per therm.

Last year the High Court held that the Revenue had unreasonably adopted a wrong approach for the valuation, which produced a figure well below the market price, in breach of its obligations under the 1982 Act.

However, the High Court refused to make a retrospective declaration invalidating any agreements, and also rejected ICI's contention that the tax concessions amounted to illegal subsidies under European law.

Ruling in ICI's favour on both counts, Lord Oliver said yesterday that it was plain that the oil companies had wrongly been given an advantage over ICI.

If a state agency knowingly persisted in a misapplication of statutory provisions which had the effect of distorting competition by favouring the oil companies, that was an "aid" banned by Article 92 of the Treaty of Rome.

The purpose of the valuation provisions had been to enable Shell and Esso to go ahead with Mossmorran and thus to encourage a business that would compete with ICI.

If the 1982 Act were correctly applied, the oil companies would be competing on the basis of a legal obligation to pay petroleum revenue tax assessed on the market value of ethane. The improper remission of tax must distort competition by favouring the oil companies at ICI's expense.

Lord Oliver said that the conclusion that the tax concessions constituted an "aid" was inescapable; but, he added, it was for the European Commission and not the English court to say whether it was an aid compatible with the Common Market.

It had been argued that the oil companies had made a substantial investment on the "legitimate expectation" that their Petroleum Revenue Tax (PRT) liability would be approached in a particular way.

Lord Oliver observed that the oil companies had known of the court proceedings and chosen not to take part in them.

If the Revenue had made agreements beyond its legal powers and in breach of its duty, that was, no doubt, very embarrassing, and might give rise to questions between it and the oil companies that would have to be resolved.

Pirelli merges tyre businesses

BY JOHN GRIFFITHS

PIRELLI will announce today the merging of its vehicle tyre distribution, wholesaling and retailing businesses in the UK.

The merger of Central Tyre company with Standard Motorist Centres – the latter acquired from Quintoo Hazell late last year – is aimed at creating a national tyre aftermarket oetwork to rival in size Michelin's ATS chain and second only to Kwik-Fit, the tyres, exhausts and batteries concern which is based in Edinburgh, Scotland.

CTC has 122 UK outlets, involved primarily in the distribution and wholesaling of all branded tyres, not just Pirelli's.

SMC has 145 outlets devoted exclusively to the retail market. Kwik-Fit, the largest UK aftermarket concern, has some 310 outlets, planned to increase to 350 by the end of this year.

The new company is expected to adopt SMC as its operating name, under the chairmanship of Mr Jack Earl, previously chairman of CTC.

It is separate from CDK, another wholly owned Pirelli subsidiary, which specialises in distribution of the Italian tyres and cables group's other products, including motorcycle tyres.

This latest move by Pirelli's UK subsidiary is part of an international group strategy intended to integrate its vehicle tyre operations in all major markets, from original equipment supplies to manufacturers to private end-users.

● The Lucas Girling-developed "cheap" anti-skid braking system is to be a £315 option on the revised Ford Escort and Orion range, which goes on sale on Friday.

THE ARTS

Tate Gallery/William Packer

When the war was over

Ronald Alley joined the Tate Gallery in 1952 upon his graduation from the Courtauld Institute and for the past 20 years has been the Keeper of the Modern Collection. His retirement next month is being marked by an extensive and ambitious exhibition which he himself has selected and arranged.

Forty Years of Modern Art 1945-1985 fills all the usual galleries on the modern side, absorbs the Rothko room and takes over the whole of the central hall beyond the Rotunda. It is open every day until April 27 except for Good Friday, and admission is free. Rather than a catalogue, a useful handbook has been prepared, priced at £5.95, for the duration of the exhibition, in which Mr Alley introduces his show phase by phase, room by room.

Thus from one of the closest of professional observers we get a personal account of the general progress, diversity and creative achievement of modern art in what have been difficult, stimulating, and unpredictable times. Furthermore, since the exhibition is drawn entirely from the Tate's own stock of post-war art, we get something of the substance and extent of that collection itself.

The collection is hardly Mr Alley's own creation, but as its span is virtually his own, so his influence has been strong and decisive over the years. Lately he has catalogued it all with loving erudition. Though we may rail against certain things which have been bought for us in his time and against things that have been missed, we cannot overlook the fact that this celebration of a life's work is indeed both a celebration and a vindication.

The Tate has a split personality wished upon it by statute, but in its aspect as a Museum of Modern Art it stands with those of Paris and New York as the best in the world. That this has been largely the achievement of these last 40 years, on a purchase grant that stood at £2,000 in 1946 and has been stuck at £1,888,000 since 1980, is remarkable enough. And where the collection stands alone is not so much in the high and definitive quality of particular works and schools as in the generous scope of its international representation.

The criticism that too often the lesser work was freely chosen too soon, or forced upon the Trustees too late and too expensive, is legitimate. It is the fruit, perhaps, of preferring an orthodox committee process to a delegated and accountable decision, when funds are tight and the public generally unsympathetic. It was quite right that the Tate should have acquired Carl Andre's bricks when and how it did — and here they are in the show — but there is nothing like the ensuing controversy for sapping the institutional nerve.

The collection of course holds many magnificent things of the first critical importance, but we should remember that when one of the greatest, the *Three Dancers* of 1925 by Picasso, was acquired in 1965 for some £60,000, questions were asked in the House about the extravagance.

Mr Alley has chosen to leave out of his survey works by those artists, such as Picasso, whose reputations were well established long before, even though they continued to work well into his period.

What he has chosen to show us both fuels and answers that other hoary criticism: that too much of what is bought with our money is kept hidden away in the cellars. Of course it is. Modern Art is ever with us and the Tate's role must be to monitor quite as much as to be critical and celebratory. A space sufficient now would soon be outgrown; were there ever enough space, to show everything would be tedious and crass. The significant is not always immediately obvious, the more attractive not always the best, the lines of analysis and judgment never fixed; and what has lain long and rightly disregarded may shine out properly at last.

It is this essential condition which has given Mr Alley opportunity and his show character. Anyone who has known if not always loved the Tate is in for an engaging saunter down Memory Lane as he comes upon the long forgotten against the notorious and the familiar: Pol Bury's twitching cubes and balls, Ellsworth Kelly's elegantly simple scarlet *Broadway*, Klein's immaculate ultramarine monochrome and Lichtenstein's *Wham*. How right that Tachism and the work of the Cobra group of the 1950s; that the kinetic art of the 1960s which has sat so long in the cupboard; that early British expressionism, both figurative and abstract, should be brought out once more to challenge the long-standing American critical hegemony.

Judgment is more openly comparative now, to the particular benefit of American abstract expressionism, which had suffered such exaggerated claims, and to Western art as a whole. Many of the physical juxtapositions—the view from one gallery through to the next—makes the point exactly, none more so than the first room (42) which is given over to Europe at the end of the war with work that seems stronger by the month. An angst-ridden nude *Job*, by Francis Gruber of 1944; Reg Butler's reconstructed maquette for the *Unknown Political Prisoner*; an extraordinarily able and engaging multiple portrait by John Bratby; Robert Colquhoun's *The Fortune Teller*; and, most remarkable of all, *The Discussion* by Renato Guttuso of 1960, late as it is, are among those that here hang together.

Through the doorway (41) we come abruptly upon the contemporaneous artists of New York in its heroic age: Gorky, Pollock, Still, Newman, Guston, Nevelson, and de Kooning, who seem quite as good but less revolutionary then before. This is not to denigrate the American but simply to elevate the European, as the show does throughout, to an equity of value and critical significance.

"Girl With a White Dog (oil on canvas)" by Lucian Freud

Fortunio/Avignon

Ronald Crichton

André Messager was an exceptionally well-equipped musician at a time when Paris was bursting with talent. As a composer for the theatre he delighted a wide public as well as fellow-musicians like his teachers Saint-Saëns and Fauré, even such a choosy younger colleague as Debussy. He was at various times musical or absolute director of Covent Garden, the Paris Opéra and Opéra-Comique. He championed Wagner and Debussy's *Pelléas*, of which he was the first conductor.

With all those cards in his hand, he knew his limitations. Any great ambitions he may have had for his own music were firmly allied. Operetta, ballet and comic opera were his line. He wrote with masterly concision and transparency, the polish almost concealing a degree of harmonic sophistication which, more rawly presented, might have disconcerted the public that adored him for *Véronique* and other much-performed favourites.

Fortunio (Paris, 1907), given at Avignon as part of an operetta season, is in fact a through-composed comic opera. The source was Alfred de Musset's comedy *Le Chandelier*, about a young lawyer's clerk persuaded to act as "chandelier" or "cavaliere servente" to the lawyer's wife Jacqueline so that his assiduous attentions may draw Maître André's suspicions from her lover, Captain Clavaroche from the local garrison. Fortunio falls head over heels in love. Having made selfish use of the boy, Jacqueline tires of her hussar, realises what has happened and is ready to reward Fortunio.

Musset's touch is light, free, swift, not sentimental. Messager's librettists Caillavet and Flers were practised Parisian playwrights of the day. They expanded the three short acts to five, conventionalising and vulgarising treatment and situation. One of their acts was dropped at an early stage. Messager's biographer Augé-Laribé ungallantly suggests that it was too hard for Marguerite Carré, wife of the then director of the Opéra-Comique, who in her usual way had secured the chief female role for herself.

The new, expository first act and the party scene added to the third contribute little to the drame beyond giving the chorus something to do. Musically they are not wasted because in the most unlikely situations Messager will flatter the ear with dips and swerves into post-*Tristan* harmony. The second act, in Jacqueline's room, is another matter. Here every bar is a pleasure to hear, with Messager rivalling Massenet in the art of setting conversation to fluent music. In the last act the librettists sacrifice Musset's beautifully ironic close to a sentimentalisation of adultery as false as a conventional happy end. Yet Messager, whether his Opéra-Comique public would have followed him or not, had just the kind of talent to meet Musset on his own ground.

Gérard Boireau's production (staged by Claude Milon) has no doubt been seen in other regional centres. The sets, unflatteringly attributed to Wakhevitch, have been crudely repainted. The period chosen (not by the authors) is — yet again — 1900, which should be banned from the French stage by general agreement for at least 20 years. *Fortunio* deserves more distinguished presentation. In compensation the orchestra under Robert Martignoni, a seasoned, leonine conductor as sparing and effective of gesture as Monteux, responded with alacrity to Messager's beguiling score. One doesn't always hear playing of this quality in the French provinces.

The roles of Jacqueline and Fortunio, with their extended duets, place the work beyond the operetta category. They were well taken by Pierrette Delange, a soprano whose high notes are not glassy in the French soubrette manner but soft, and the tenor Thierry Dran. Though he sang his two solos charmingly ("La vieille maison grise" must have brought a lump to many an elderly throat), Dran is not quite the slip of a boy the role needs. Massenet would surely have used a travesti. Messager's collaborators demurred, condemning *Fortunio* to perpetual casting difficulties.

The lawyer's part, needlessly extended, perhaps because the first Maître André was the eminent baritone Fugère, was amply filled by Alain Vernhes. Clark Landry, originally played by the first Pelléas, Jean Périer, was brightly sung by Jean Pomerez. Jacques Trigeau was suitably sonorous as the vainglorious Calavaroche. The pleasant municipal theatre at Avignon glows once more with renewed red plush and polished brass rails.

This season the theatre, as well as the expected Verdi, Bizet and Puccini perennials, has a showing of Henze's *Boulevard Solitude*, not an opera we often hear this side of the channel. There are new productions of *Le Roi d'Ys* and *Don Quichotte*. The Paris organisation responsible for the main network of regional opera houses rightly ensures that the native repertory is not neglected. The likes of *Fortunio* are too good to be allowed to fade away.

Pierrette Delange and Alain Vernhes with Jacques Trigeau behind

Borodin Quartet/Elizabeth Hall

Max Loppert

In seven concerts, the final placed exactly a month after the first, the Borodin Quartet is undertaking the complete set of Shostakovich string quartets. The enterprise received on Sunday afternoon a sublime start; it was the sort of recital that made one reluctant to leave the hall, desperate to hear all 15 quartets in quick succession. If such standards are maintained throughout the series, it will surely prove one of the most prized events of the London musical year.

An opening concert of any Shostakovich quartet cycle properly begins, as this one did, near the beginning; and so, because the special features of the texturally rarefied, psychologically agonised final masterpieces are no more than distantly pre-figured in the early works, the experience of yesterday's concert was nothing like so dark overall as those forthcoming are bound to be.

Yet the Third Quartet, Op 73 in F, with which the Borodin set off the great journey, is a complete masterwork on its own account—one of the most substantial of the 15, and a remarkable early example of that suite-like, five-movement version of symphonic argument that Shostakovich made so peculiarly his own. After such a performance of such a work, one could hardly complain that the concert lacked weight.

The mature Borodin manner of playing Shostakovich combines amplitude, marvellous restrained richness of sound, and endless patience about making musical points. The frenzied, hard-edged rushing too often deemed appropriate for this composer was right years removed: in particular, extraordinary subtlety was shown in achieving the staccato spikiness of the Scherzo—without the smallest hint of roughness, but with a myriad range of glancingly ironic inflexions.

Melodies were broadly sung (no glorious portamento phrases), yet breadth was always tempered by quiet, contained intensity. Because the players never strove for mere "effectiveness," and because the genuine conversational intimacy of the music was so comprehensively conveyed, the shape of the whole was determined by every one of its parts.

This was mastery. So, though the work itself is less elevated, was the performance after the interval of the First Quartet (Op. 49 in C)—the work of which the composer said, "I would call it a 'Spring' quartet," and of whose Haydn-like felicities of form and Schubertian beauties of line the Borodin gave a quite wonderfully relaxed and glowing demonstration.

In the two early pieces for string octet — portentous neo-Bachian Prelude followed by exuberant, high-dissonance Scherzo — the Borodin was joined for the occasion by the Fitzwilliam Quartet, which had given (in 1979) London's previous Shostakovich cycle. Many empty seats. No doubt, when word gets around, there will be few.

BBC Invitation Concert/Maida Vale

Andrew Clements

Michael Finnissy is an intensely prolific composer, but his major orchestral scores are relatively few. One of the most successful of them in my memory had been *Sea and Sky*, which the London Philharmonic commissioned and first performed in 1980. Second performances of orchestral works are even more difficult to obtain than premières nowadays, but the BBC Symphony Orchestra conducted by Peter Eötvös did revive *Sea and Sky* on Saturday, to begin an Invitation Concert in the BBC's Maida Vale studios.

It's a highly complex, large-scale piece of musical scene painting, playing for about 20 minutes. The title seems to invite visual and aural allusions, portraying some kind of new version of the English pastoral idyll — modernist Butterworth perhaps. But the writing is much tougher than that, and completely well shaped, with an explosive clarinet solo in one of the central sections to provide a dramatic focus. Perhaps it is fractionally long—the becalmed music in the centre takes many minutes to sort itself out, and the return of the opening turbulence is delayed too much. Otherwise, though, the pacing is thoroughly convincing.

Finnissy (born 1946) shared the programme with two of his European contemporaries, Christoph Delz and Hugues Dufourt. Delz is Swiss-born (in 1950), and a pupil of Stockhausen and Aloys Kontarsky. He was the soloist in the first performance of his Piano Concerto, completed last year, which left rather a bewildering impression. It is built in two movements, both with intentionally evocative titles—"Time and Tides," "Finale and Epiphanies." The first is both predictable and uninteresting; big textural blocks in the orchestra opposed by piano figuration that seems heavily influenced by the style of Stockhausen's Piano Piece X.

The second movement, however, is utterly unexpected: some of the piano strings are prepared, and the soloist sets off on a kind of clockwork toccata, which after a while the orchestra is provoked to comment upon with a sequence of quotations. The Islamic music was easy to spot, so was the "hint of choruses of protest" in a strident rhythmic figure. But I missed the sound of a Boeing 707 (why that aircraft particularly?) and the fireworks mentioned in the programme notes. It makes a quirky counterweight to the first movement, but not, I think, any kind of integrated whole. Perhaps other pieces by the same composer may yield a more rounded sense of his musical personality.

Scored for flute and chamber orchestra, *Antiphysis* by Dufourt (born 1943) is already available in the Erato-IRCAM series of recordings with Boulez and the Ensemble Intercontemporain, though those discs have become increasingly hard to find in Britain. Written in 1978, it makes no great impact on record and did little more in its first British performance at Maida Vale. The soloist was the outstanding Istvan Matuz but even he could do little with the stock catalogue of contemporary flute effects. While all of Peter Eötvös's typical control and good sense could not find any vitality in the writing for the orchestra.

Brendel's Liszt/Festival Hall

David Murray

On Sunday afternoon Alfred Brendel addressed himself to the first two books of Liszt's *Années de pèlerinage*, the Swiss and Italian "years" (the latter without its "Venezia e Napoli" pendant). In past years Brendel has made a colossal impression in much later, blacker Liszt; one wondered how he would fare in this less searching, more familiar music. A well-known tendency toward point-making, and a certain disdain for magical keyboard effects, are not ideal traits for a performer of the *Années*.

In the event the recital was thoroughly satisfying, with the best playing divided between the sombre mood-pieces like "Au lac de Wallenstadt" and "Il Penseroso," and the pretty *al fresco* sketches—"Pastorale," "Eglogue" and "Sposalizio" (which, as promised in his own programme-notes, he brought convincingly close to Debussy). Brendel chose the earlier version of "Les cloches de Genève" and made it feather-light and charming. If the fustian "Craze" sounded no more distinguished than it usually does (and in such stuff Brendel misses the fluent virtuosity that can enkindle it), he made "Vallée d'Obermann" a magnificent canvas, tellingly weighted and of great breadth.

After his fine, fraught "Penseroso" Brendel pricked out the "Canzonetta del Salvator Rosa" with spiky wit. The three Petrarch Sonnets were successively more beautiful, ending with an exquisitely suspended "I' vidi in terre angelici costumi." The "Dante" Sonata has long been a Brendel speciality: it began this time with a stern, deliberate prologue and a dusky, properly suppressed *Presto agitato*. The *ppp* idyll in the middle was lovely as ever; thereafter the figuration and the furious octaves were not quite brilliant enough, smudged by many little finger-slips. The whole piece was of course rigorously shaped, and the dramatic structure wasn't compromised. I shall chiefly remember, none the less, some of the Swiss pieces as intimate revelations. Somehow Brendel conveyed the impression of a single observer behind each gimlette.

Shostakovich/Barbican Hall

Andrew Clements

The London Symphony Orchestra is currently playing very well indeed. The form it often reserves for high days and holidays was evident in the Rozhdestvensky series, that ended last week, and again on Sunday, when it was conducted by Maxim Shostakovich in Wagner, Mahler and his Father's First Violin Concerto.

The sound was not especially luxuriant—the Barbican Hall does not encourage tonal splendour—but it was full-bodied expressive; alertness and concentration ensured accurate responses to a conductor whose gestures are always expansive and full of nervous energy.

It is probably a good thing that not all that nervosity is channelled directly into the music-making. The Overture to *Rienzi* was vivid and brittle—hard to see how any account of the opera itself could have approached its excitement. In Mahler's First Symphony, however, the enthusiasm sometimes became disruptive: the first movement fell away at the last hurdle because the pace became too frenetic; the finale peaked 10 minutes too soon. In the central movements, a vividly pointed scherzo and garishly coloured, nightmarish funeral march, the dramatic focus was altogether sharper.

Viktoria Mullova was the concerto soloist. She handled the quiet introspective music that makes up so much of the work with light-fingered care and fine-spun, silvery tone, while her technical facility was a persistent delight in both the scherzo and the big cadenza that links the third and fourth movements. Yet in both those movements the passages that demand a beefier attack found her a little fainthearted; it was, of course, at moments like that when Maxim Shostakovich really allowed the orchestra its head.

BASE LENDING RATES

ABN Bank 12½%	■ Guinness Mahon 12½%
Allied Dunbar & Co. 12½%	■ Hambros Bank 12½%
Allied Irish Bank 12½%	Heritable & Gen. Trust 12½%
American Express Bk. 12½%	■ Hill Samuel §12½%
Amro Bank 12½%	C. Hoare & Co. †12½%
Henry Ansbacher 12½%	Hongkong & Shanghai 12½%
Associates Cap. Corp. 12½%	Johnson Matthey Bkrs. 12½%
Banco de Bilbao 12½%	Knowsley & Co. Ltd. 13%
Bank Hapoalim 12½%	Lloyds Bank 12½%
Bank Leumi (UK) 12½%	Edward Manson & Co. 13½%
BCCI 12½%	Meghraj & Sons Ltd. 12½%
Bank of Ireland 12½%	Midland Bank 12½%
Bank of India 12½%	■ Morgan Grenfell 12½%
Bank of Scotland 12½%	Mount Credit Corp. Ltd. 12½%
Banque Belge Ltd 12½%	National Bk. of Kuwait 12½%
Barclays Bank 12½%	National Girobank 12½%
Beneficial Trust Ltd 13½%	National Westminster 12½%
Brit. Bank of Mid. East 12½%	Northern Bank Ltd. 12½%
■ Brown Shipley 12½%	Norwich Gen. Trust 12½%
CL Bank Nederland 12½%	People's Trust 13%
Canada Permanent 12½%	PK Finans. Intl. (UK) 13½%
Cayzer Ltd. 12½%	Provincial Trust Ltd. 13½%
Cedar Holdings 12½%	R. Raphael & Sons 12½%
■ Charterhouse Japhet 12½%	Roxburghe Guarantee 13%
Citibank NA 12½%	Royal Bank of Scotland 12½%
Citibank Savings ‖12½%	Royal Trust Co. Canada 12½%
City Merchants Bank 12½%	Standard Chartered ‖12½%
Clydesdale Bank 12½%	TCB 12½%
C. E. Coates & Co. Ltd. 13%	Trustee Savings Bank 12½%
Comm. Bk. N. East 12½%	United Bank of Kuwait 12½%
Consolidated Credits 12½%	United Mizrahi Bank 12½%
Continental Trust Ltd. 12½%	Westpac Banking Corp. 12½%
Co-operative Bank *12½%	Whiteaway Laidlaw 13%
The Cyprus Popular Bk. 12½%	Yorkshire Bank 12½%
Duncan Lawrie 12½%	■ Members of the Accepting Houses Committee.
E. T. Trust 12½%	* 7-day deposits 8.75%. 1-month 8.90%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
Exeter Trust Ltd. 13%	† Call deposits £1,000 and over 9% gross.
Financial & Gen. Sec. 12½%	‡ Mortgage base rate.
First Nat. Fin. Corp. 13½%	§ Demand dep. 9¼%. Mortgage 13%.
First Nat. Sec. Ltd. 12½%	
■ Robert Fleming & Co. 12½%	
Robert Fraser & Ptrs. 13%	
Grindlays Bank ‡12½%	

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 21-27

Opera and Ballet

PARIS

Maurice Béjart's 20th century ballet Dionysos danced to traditional Greek music and to music by Manos Hadjidakis, Richard Wagner, Palais des Congres – Porte Maillot (42662075).

NETHERLANDS

The National Ballet: the pas-de-deux from Le Corsaire, Room at the Top by Rudi van Dantzig, and Corps, a new ballet by Hans van Manen. Mon in Tilburg, Schouwburg (432220). Tue in Apeldoorn, Orpheus (211899). Wed in Venlo, Maaspoort (43131). Thur in Heerlen, Schouwburg (716667).

Rotterdam, De Doelen; Recital Hall: The London Baroque Dance Theatre with dances choreographed by Stephen Preston from the Commedia dell'arte and to music by Handel, Lully and Mozart. Mon in Rotterdam, De Doelen (142911). Tue in Utrecht, Vredenburg (314544).

BRUSSELS

Lyons Ballet: Cinderella, choreographed by Maguy Marin. Cirque Royale (2182015).

WEST GERMANY

Frankfurt, Opera: Eugen Onegin has Benjamin Luxon in the title role. Der Wildschütz stars Josefine Engelskamp, Ryszard Karczykowski and William Workman. Hoffmann's Erzählungen features William Cochrane in the title role and Sarah Arneson as Olympia. Also Die verkaufte Braut and Der Zigeunerbaron. (25621).

Stuttgart, Württembergische Staatsoper: Loriot's first opera production stars Krisztina Laki, Waltraud Meier and Helmut Berger-Tuna. Peter Schneider takes over the baton in Götterdämmerung. Otello stars Gabriele Benackova-Cap, Bernd Weikl and Vladimir Atlanton. Also Viva la Mamma. (20321).

ITALY

Parma: Teatro Regio: Gounod's Faust conducted by Alain Guingal and directed by Beppe de Tomasi, who also did the scenery and costumes. In the cast Anna Maria Gonzales, Roberto Coviello, Alfredo Kraus. (795678).

Naples: Teatro San Carlo: Andrea Chenier by Umberto Giordano conducted by Romano Gandolfi with Nicola Martinucci, Giovanna Casolla and Piero Cappuccilli. Carlo Maestrini directs and the scenery and costumes are by Lorenzo Chiglia. (418266).

Trieste: Teatro Comunale Giuseppe Verdi: The Pesaro Rossini Festival production of La Donna del Lago conducted by Maurizio Arena, with Lella Cuberli, Lucia Valentini Terrani, Vito Gobbi and Luigi de Corato. The scenery and costumes are by Gae Aulenti and Ugo Tessitore directs. (831948).

Turin: Teatro Regio: Verdi's Un Ballo in Maschera (Teatro Comunale of Florence production) conducted by Donato Renzetti with Maria Chiara (alternating with Lorenza Canepa), Carmen Gonzales (Stella Silva), Taro Ichihara (Ottavio Garaventa), Patrizia Pace and Juan Pons. Scenery and costumes by Giuseppe Crisolini Malatesta. (548000).

SPAIN

Barcelona: Das Rheingold is conducted by Matthias Kuntzsch featuring Bent Norup, Heinz-Jurgen Demitz and Hans Tschammer. Gran Teatre del Liceu, Sant Pau 1. (3189277).

Las Palmas: La Traviata. Title roles Katia Ricciarelli, Maurizio Frusoni, Juan Pons and Maria Uriz. Teatro Perez Galdos, Plaza Stagno. (361509).

LONDON

English National Opera, Coliseum: Graham Vick's "new-look" production of Madam Butterfly – both striking and irritatingly modish – comes back with the Polish soprano Magdalena Falewicz in the title role. Further performances of the splendidly cast La Bohème – Masterson, Barstow, Davies, Summers, conductor Mackerras – and of Jonathan Miller's "dream-in-a-library" Magic Flute, a dry, unmagical concept given a surprising amount of theatrical vitality by an excellent cast (including Benjamin Luxon's masterly Papageno) and by Peter Robinson's gently musical conducting. (8363161).

VIENNA

Staatsoper: Luisa Miller conducted by Buckley with Gasdia, Yachmi, Sima, Burdzuladse, Pavarotti, Bruson, Rydl, Aichberger. Manon Lescaut conducted by Sinopoli with Tokody, Hintermeier, Weikl, Bartolini, Rydl, Gahmlich, Maly, Wildhaber, Pita, Sramek. Götterdämmerung conducted by Prick with Vinzing, Balev, Ludwig, Lilova, Yachmi, Hass, Poschner, Hintermeier, Gonda. The Marriage of Figaro conducted by Zagrosek with Janowitz, Mathis, Hintermeier, Gonda, Sasaki (5324/2655).

Volksoper: Nikolai's Merry Wives of Windsor conducted by Boncompagni with Sharp, G. Boker, Ottenthal, Schnapka, Gutstein, Ruzicak, Soco, Krasmmer, Baillie, Jenewein. Nedbal's Polenblut conducted by Bernet with Kales, Gordon, Kutschera. Der Opernball conducted by Boncompagni with Mottl, Ottenthal, Kales, Martikke, Loewinger, Schmid. Zeller's Der Vogelhändler conducted by Bauer-Theussl with Lambriks, Loewinger, Klein, Kiesling (5324/2657).

NEW YORK

Dance Theater Workshop: Performance artist Mary Luft presents local premiere of In the Key of West II, a high-tech amalgamation of video, theater, dance and visuals about the history of Key West, Florida. 219 W. 19th St. (9240077).

Metropolitan Opera The week features Samson in the joint Covent Garden production by Elijah Moshinsky with costumes and sets by Timothy O'Brien, conducted by Julius Rudel with Leona Mitchell as Dalila, Kiri Te Kanawa, and Jon Vickers in the title role. The week also includes the first seasonal performances of Simon Boccanegra with Anna Tomowa-Sintow and Sherrill Milnes and the last seasonal performance of Romeo et Juliette with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling. Lincoln Center (3636000).

Saleroom/Antony Thorncroft

Antico's bust tops £½m

The extraordinary interest in busts continues in the auction rooms, with Sotheby's in Monaco over the week end attracting a bid of £537,790 for a bronze bust of a young man confidently attributed to the early 16th century Italian artist Pier Alari Bonacolsi, known as "L'Antico."

The exceptional price is accounted for by the rarity of the object and its excellent provenance: it comes from the chateau of Valencay in the Loire and the collection of the Duchesse de Talleyrand et Sagan.

In all, the furniture totalled £2,311,046 (FFr 23.84m) but with 25 per cent unsold. This high bought in percentage can be partly attributed to the other star lot, a carved oak console of around 1730, failing to find a buyer. The console is attributed to DuGoullon and is believed to have graced the royal apartments of Louis XV at Versailles. Sotheby's was hoping to sell it privately after the auction.

A rococo microscope by Alexis Magny, made around 1750 and still in its leather case, sold for £31,744, and the same sum secured a Louis XIV commode. Another bust from Valencay, this time a Venetian 16th century bronze of the emperor Caracalla, did well at £75,290.

Top price among the pictures was the £204,360 from an English dealer for an animated street scene by Louis-Leopold Boilly, painted on panel in 1806 and subsequently a popular lithograph by Wattier. The price was double the estimate.

Flower paintings are currently a strong market and £172,093 was paid for a bouquet by Anne Vallayer-Coster. A Swiss collector bought the portable triptych by Allegretto Nuzi for £107,558. It was painted around 1350 and has a central panel depicting the coronation of the Virgin. It was probably intended for private devotion.

The cheapness of Old Master paintings was confirmed by the price of £96,802 which secured an early work by Tintoretto, "A concert on Mount Parnassus." This scene of the gods and goddesses at play was originally the top of a spinette and was probably painted around 1545.

An album of studies by David, consisting of 98 drawings from his first visit to Rome from 1775-80, sold for £166,715 to a New York dealer. The drawings plot his development as a neo-classical artist. The album is one of 12 of which are now mostly in museums.

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Telephone: 01-248 8000

Tuesday February 25 1986

Reagan raises the stakes

THE TWO superpowers seem to be trying to outdo each other in advancing large declaratory plans for the reduction or elimination of nuclear weapons. Mr Mikhail Gorbachev has proposed the complete elimination of Soviet and American Intermediate-range Nuclear Forces (INF) from Europe and European Russia, but not the Soviet SS 20s deployed in Asia together with a freeze on British and French strategic nuclear forces.

President Reagan has countered with a proposal for the total elimination of all Soviet and American INF missiles, whether in Europe or in Asia, phased over a three-year period; and without any constraints on the British and French forces.

More equitable

It is not yet clear how much seriousness should be attached to either proposal: the public or semi-public exchange of messages between the two leaders obviously contains a significant public relations ingredient, and the purely rhetorical chaff will only be winnowed out at the negotiating table. Yet even at the rhetorical level, President Reagan's counter-proposal is preferable, because it is more far-reaching and more equitable.

In Europe, some reservations have been expressed at the prospect of the removal of all the American Pershing 2 and cruise missiles. Nato's 1979 twin-track decision — deploy and/or negotiate—spawned a long-drawn-out and politically bruising controversy in most of the basing nations, until deployment actually started at the end of 1983.

European governments were persuaded, or were persuaded to tell their electorates, that these new American weapons were required, not just to counter the Soviet SS 20 missiles, but as an essential link in the chain between the short-range battlefield weapons in Europe and the strategic deterrent in the US. They might find it embarrassing to explain that these new missiles are not after all as necessary for deterrence as was once claimed.

This reservation is not entirely ill-founded. In recent years, there have been growing doubts about the theoretical credibility of the American strategic umbrella, as well as about the controllability of any nuclear exchange. Since the 1979 decision, Nato has withdrawn a significant number of very short-range battlefield weapons, while growing awareness of Soviet strategies of rapid movement has prompted a search for methods of deep strike against rear echelons, either with smart conventional weapons or with longer-range nuclear missiles.

Nevertheless, the political significance of the American Euromissiles was always greater than their military rationale, and it is political considerations which should dominate the West's arms control posture. The presence of land-based INF missiles in European countries *may* have some "coupling" effect between the two halves of the Atlantic Alliance; but their main importance has been to show the Russians that, in the face of the provocative deployment of SS 20s, European Nato was able, at the end of the day, to stick together. Moreover, the credibility of the US guarantee lies less in the deployment of specific weapons systems—the military function of the Euromissiles can be taken over by other missiles on submarines — than in the presence of a large American army in Germany and the incalculable risks which that must pose for any aggressor.

Proliferation

The US makes important caveat: the Soviet Union must not be able to circumvent an interim Euromissiles deal by the proliferation of other, shorter-range weapons in eastern Europe. But the Euromissiles should be viewed, not just as a narrowly military capability, but in the context of the prospects for strategic stability, for arms control negotiations, and for a degree of rapprochement between the two superpowers. A world in which real progress was made on these fronts, after so many years of frost, would be by definition less threatening.

Mr Gorbachev may not necessarily like President Reagan's counter-offer; in particular, he may not like Washington's refusal to offer any constraints on the British and French forces, though he cannot have been surprised by it. But at the level of public debate, he can hardly do other than welcome those elements which seem positive; in reality, the sincerity of either side can only be tested in the negotiations.

Securities law changing shape

THE FINANCIAL Services Bill was launched just before Christmas as an exercise in devising a delicate balance of regulatory power. But already several important concessions have been made by the Government in the committee stage of the bill, and more are being demanded. It now appears that the final regulatory framework for the UK investment industry may involve the creation of a body not so different from a full-blown self-standing securities commission. And if this is so, it would surely be better to accept this at an early stage rather than to arrive at it late, unprepared and by a very roundabout route.

As it stands, the bill still provides that regulation of the investment markets could be (and under the present Government presumably *would* be) delegated to a self-financing private sector body, a successor to the Securities and Investments Board.

Hiving-off

The justification for this hiving-off of the Department of Trade and Industry's responsibilities is partly that a non-statutory body would have much greater freedom to create and develop its rule-book outside the clumsy and rarely changeable statutory framework. Also, the body's personnel would not be civil servants, and therefore would not be subject to Civil Service pay rates, while the budget of the body itself would not be open to Treasury interference.

As originally presented, the board would exercise its delegated powers flexibly through a network of self-regulatory organisations (SROs) which in turn would have significant powers over their own members. The SROs would initially have to have their rules approved by the board, but subsequently the board would only be able to impose changes by agreement or by taking an SRO to court.

The reasoning was that leading practitioners would not take on the burden of running SROs unless they were given real power. If they could not give special consideration to their members' requirements, but were just rubber-stamping the board's own rules, they might as well hand the job over to juniors, or even back to the board itself.

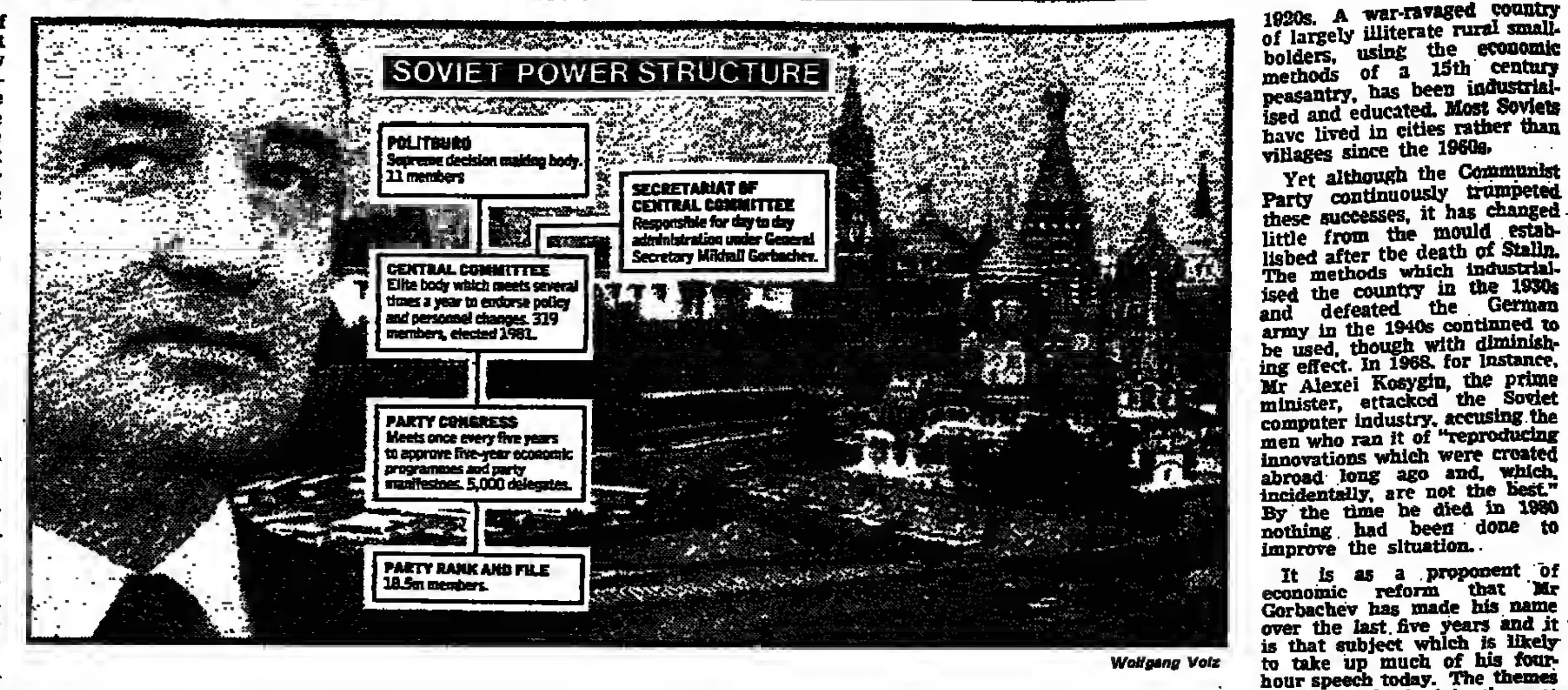
However, the Government has caved in rather swiftly to criticism of this approach and the board will now be given the ultimate power to impose its own rules on an SRO (though in what circumstances is not yet clear). In the same way, the board is to have the power to intervene in setting the rules of professional bodies like solicitors and accountants in relation to the investment activities of their members.

Now the big guns of one of the new SROs, Isro, are being brought to bear on the legislators. One of Isro's complaints is that top practitioners are unlikely to want to join its ruling council unless they are indemnified against legal action by the members. Although the Stock Exchange has existed without such indemnity, it could be argued that it can gain reassurance from a body of existing case law—while its members are not so litigious as Isro's, which include many US securities houses. But clearly Parliament will be reluctant to hand out indemnities to private sector bodies over which it has little direct control.

Lobbying is bound to be stepped up considerably from now on.

At the same time the DTI has experienced repeated ministerial changes. Mr Paul Channon is the third Secretary of State to be in charge of this legislation, Mr Michael Howard the second junior minister. There must be a possibility that the sense of political direction will be lost, and that the final version of the Bill will be quite inconsistent with the aims of the original White Paper.

The point is that it will only require a comparatively few quite subtle changes in the Bill for the SIB to have been turned into something which amounts to an investments commission. Is this the way that the Government is thinking? If so, all the argument so far about how to strengthen central direction in a diversified regulatory structure may prove to have been irrelevant, and it would have been better to have begun at the other end and discussed how to bring flexibility of operation into a statutory commission.



Wolfgang Volz

SOVIET PARTY CONGRESS

A chance for Gorbachev to tighten his grip

By Patrick Cockburn in Moscow

WHEN THE Congress of the Soviet Communist Party meets in Moscow today it will mark the culmination of three years of change for the men who rule the Soviet Union. By the time the Congress ends in 10 days, it will have chosen a new 319-strong Central Committee, the body which holds ultimate authority in the ruling party.

The importance of the Congress, which meets every five years, is that it provides the leadership with its only opportunity to change or to ratify earlier changes in the composition of the central committee. The top post-holders in party, administration and armed forces—are traditionally changed in the run up to the Congress, where they are formally elected to the Central Committee.

Since there is no division of powers in the Soviet Union—authority is concentrated at the top of the Communist Party—the composition and quality of this leadership are of vital importance to the successful running of the country. With state monopolies directing the economy and society, the impact of undistinguished leadership is far more devastating than it would be in the US or western Europe, where key areas of national life are outside central control.

The impact of lacklustre leadership became all too evident during the last 10 years of President Brezhnev's rule. It is not surprising that Mr Mikhail Gorbachev has moved as fast as possible to renew the upper ranks of the party and government in the 11 months since he became leader. If President Chernenko, his predecessor, had lived a year longer, Mr Gorbachev would have been stuck with a Central Committee composed mainly of the rump of the Brezhnev era.

In fact, some 158 or half of the full time members of the Committee have been retired or demoted. He has moved much faster than expected: eight of the 11-strong Politburo have been appointed since 1980 and two thirds of the 158 regional Communist Party chiefs have been changed since the death of President Brezhnev in 1982.

At regional party congresses up and down the Soviet Union in recent months old party chiefs, some of them in power since the early 1950s, have been toppled. Some have retired silently but many have been publicly demoted. Criticism has varied but three charges against local leaders were levied repeatedly: incompetent economic management, an easy-going attitude to corruption and the creation of a network of proteges to buttress their rule.

Not all these men have fallen. For instance, Mr Dinmukhamed Kunaev, aged 74, remains a full members of the politburo. A close associate of Mr Brezhnev and Communist leader in the Republic of Kazakhstan since 1960, he was strongly attacked in Pravda's account of the Kazakh Party Congress earlier this month. Economic and political failures, the paper said, were "deliberately hushed up or distorted in all manner of ways by exaggeration and deception—something that was not hard to do in an atmosphere of toadyism and deception." To drive the point home, the Congress noted that the head of the Kazakh Academy of Sciences, Mr Askar Kunaev, half brother of the party leader, has "practically withdrawn from work."

The change to a younger generation in the Politburo and Central Committee was inevitable in the long term. The ossification of the party and state bureaucracy which set in during Mr Brezhnev's 18 years in power was largely a reaction to Stalin. In his purges, 4m to 5m party members were arrested and 400,000 to 500,000 executed. Of the 1,827 delegates to the 17th Party Congress in 1934, only 37 attended the next in 1939.

It is scarcely surprising that survivors like Mr Brezhnev had little taste for change at the top.

At the last Party Congress in 1981 only 17 per cent of the Central Committee was changed. This compares with at least 50 per cent of new members this year, though there are many survivors from the past. The longest-surviving office holder is Mr Yefim Slavsky, 87 years old and Minister for Medium Machine Building since 1961.

But it appears the inability of the Soviet Union to renew the ruling gerontocracy may now be over. The new party rules, to be ratified at the present Congress, may limit the tenure in power of officials or introduce some form of retirement age.

In any case, it has taken Mr Gorbachev only a year to end the leadership crisis which progressively paralysed Soviet decision-making after 1975. New men are running the country. Mr Eduard Shevardnadze has taken over foreign affairs, Mr Nikolai Ryzhkov the economy and Mr Yegor Ligachev, party affairs.

Yet equally critical questions remain to be answered. Ordinary Soviet citizens are pleased that younger people have moved into senior posts but ceaselessly discuss how far the good intention of the new leadership will produce any real transformation in their own lives. The Congress, many believe, will make this clearer. For instance, Mr Ligachev, second only to Mr Gorbachev in the Politburo, and the man who virtually runs the Communist Party organisation, recently quoted Lenin as saying: "We're being sucked down into the rotten bureaucratic swamp through writing papers, jawing about decrees, drawing up rules — and in this sea of paper real work is being drowned."

In another article, Mr Ligachev singled out the corruption of Communist officials as the single greatest threat to the party.

"Articles rhetorically calling for publicity are not the same as publicity itself. Lead editorials on the need for freshness of thought and language are often written in language that makes you involuntarily yawn" —Yevtushenko

Similar themes emerge in letters to the press. For instance a Mr N. Nikolaev, a party member since 1940 from Kazan, east of Moscow, wrote in Pravda earlier this month that party, Soviet, trade union and managerial leaders use "all kinds of special buffets, special shops, special hospitals and so on."

He continued: "Let the boss go to the normal shop along with everyone else and stand in queues like other people do. Then perhaps the queues which everyone is so fed up with now will be quickly liquidated."

Other correspondents attack the excessive secrecy of party and state. Why, one asked, were there copious details on Soviet television about earthquakes in Central America but no casualty figures for an earthquake last year in the Soviet republic of Tadjikstan?

Such letters would not have been published two years ago, though the fact they are printed now does not mean that they will be answered. The fullest expression of public desire for change came in December in a speech by the poet Mr Yevgeny Yevtushenko to a conference in Moscow: "Articles rhetorically calling for publicity are not the same as publicity itself. Lead editorials on the need for freshness of thought and language are often written in language that makes you involuntarily yawn."

Despite the events of the last year, many officials, especially of the sort under attack, do not think that much is going to change in the way the Soviet Union is run—though they do not find it politic to express this conviction now. "Yes, we are discussing things," a senior journalist on the Soviet Union's main economic newspaper agreed with a superior smile when asked about the debate on economic change, "but we also discussed things in the twenties, thirties, forties, fifties and sixties."

Most Soviet officials in party and state probably think the same. Few, except at the very top, have been removed by Mr Gorbachev and the men around him and see no particular reason to change the way they work.

Mr Gorbachev's rise is itself the result of the feeling among senior Soviet leaders that the party no longer answers to the helm. Soviet society has changed enormously since the 1920s. A war-ravaged country of largely illiterate rural smallholders, using the economic methods of a 15th century peasantry, has been industrialised and educated. Most Soviets have lived in cities rather than villages since the 1960s.

Yet although the Communist Party continuously trumpeted these successes, it has changed little from the mould established after the death of Stalin. The methods which industrialised the country in the 1930s and defeated the German army in the 1940s continued to be used, though with diminishing effect. In 1968, for instance, Mr Alexei Kosygin, the prime minister, attacked the Soviet computer industry, accusing the men who ran it of "reproducing innovations which were created abroad long ago and, which, incidentally, are not the best." By the time he died in 1980 nothing had been done to improve the situation.

It is as a proponent of economic reform that Mr Gorbachev has made his name over the last five years and it is that subject which is likely to take up much of his four-hour speech today. The themes he has emphasised in the past are that the Government must regain control of investment from the ministries which monopolised resources, regardless of the quality of their production, in the last years of President Brezhnev. At the same time he has emphasised greater autonomy for managers and less central control on day-to-day direction of the economy.

Priority for investment is to go four key industries—machine building, machine tools, electronics and computers—in the old industrial areas of the country. The emphasis is on the re-equipment of existing plant, not the construction of new factories or grandiose schemes in central Asia and the wastelands of Siberia.

In the weeks before the Congress there was heavy criticism of expensive irrigation projects—schemes which President Chernenko had specifically praised shortly before he died.

But it is unlikely that the extent of economic change in the Soviet Union will become clear during the Congress. There is no sign that the system for pegging the prices of basic foodstuffs and rent at very low levels will be changed.

The ministries which run vast industries across the Soviet Union show no desire to see their authority redistributed upwards towards the Politburo and the central planners or downwards towards the managers. They can argue that there is no crisis in the Soviet economy and the growth rate has recovered from the low levels of the early 1980s.

Any switch of resources from one ministry to another—which in the Soviet Union often means a switch from one region of the country to another—will also test Mr Gorbachev's political strength. Party leaders who support economic reform in general will fight hard against projects being cancelled in their own part of the country.

Mr Gorbachev needs all the political authority he can muster to carry out any real economic reform. This week's Congress will show how far he will be able to obtain it. The Congress's 5,000 delegates can be divided into two categories—the professional power-brokers who want a more effective or efficient party and ordinary citizens who want greater political rights. The key question is whether they can combine to change the way the Soviet Union is governed.

Men and Matters

Dr Pepper's handsome legacy

Woodrow Wilson Clements, the 71-year-old chairman of Dr Pepper, is sometimes known by his childhood nickname, "Foots," a moniker he earned because of his big feet, and one he keeps alive by sending out foot-shaped Christmas cards.

But there is nothing flat-footed about his business acumen. Coca-Cola, the king of the $26bn-a-year US soft drinks industry, has just announced plans to acquire Dr Pepper for $478m—a deal that will reap Clements and a group of other senior managers and private investors a 10-1 return on an equity investment they made two years ago when Dr Pepper was taken private in a leveraged buy-out.

The investment group, led by Forstmann Little, the Wall Street investment firm, paid $650m for Dallas-based Dr Pepper in February 1984, raising about $620m in debt and $38m in equity. By selling off assets, including the Canada Dry business, the group cut Dr Pepper's debt back to $170m—which is included in Coca-Cola's proposed purchase price—leaving the investors to share out $300m among themselves.

Based on initial documents covering the Dr Pepper buyout, Clements should receive a sparkling $20m return on his $2m investment with about 15 other private investors including Wall Street arbitrageur, Ivan Boesky, and some 10 institutional investors, including General Electric's pension fund, splitting the rest.

For the cigar-chomping, energetic Clements, a native of Tuscaloosa, Alabama, who began selling America's oldest major soft drink while a student at the University of Alabama in 1935, it is a sweet tasting deal indeed.

After becoming chairman and chief executive of Dr Pepper in 1974, having worked his way up through the company's marketing ranks, Clements is widely credited with putting the fizz back into the 101-year-old company which currently ranks as the fourth largest US soft drinks group with a 6.9 per cent market share and profits last year of $60m.

Dr Pepper's secret formula, containing 23 ingredients most of which are believed to be old fashioned fruit extracts—but which do not apparently include prunes, as some rumours would have it, or cherries, despite the distinctive taste—remains a mystery.

As to the company's name, that is less of a mystery, but equally fascinating. A British-born pharmacist called Charles C. Alderton dreamed up the potion while working in Wade B. Morrison's corner drugstore in Waco, Texas in 1885. Apparently Morrison often talked to his customers about his love for the daughter of his former employer, Dr Charles Pepper, a Virginian physician.

Unimpressed with Morrison's prospects, the good doctor refused to allow him to woo his daughter. But when local soda fountain patrons fell in love with the drink, Morrison decided to name it after his protagonist. The ploy did not work since the doctor refused to change his mind. Morrison later married someone else but the name stuck.

"No violence, sex or bad language—that leaves us with Songs of Praise and the House of Lords every night!"

Carrian trial

Hong Kong's long-awaited Carrian fraud trial began yesterday as it is likely to go on — with Mr Justice Barker describing as a "long hard slog" the day-long effort to select a nine-member jury.

An unprecedented 400 people have been summoned for the most widely-publicised fraud trial ever to be heard in Hong Kong's Supreme Court. It is likely to last at least nine months, and the trial judge warned jurors of the "extreme inconvenience" that lay ahead.

Justice Barker grilled fiercely all of those asking for exemption, treating many grown businessmen like school children as he reminded them of their civic duty as jurors. Only those who would face "genuine severe hardship" if selected were granted exemption. One short cut to exemption for anyone who had enough foresight three years ago was ownership of Carrian shares.

He warned the six men and three women eventually sworn in that they should ignore anything they had ever heard, seen or read about Carrian, or the six defendants who face charges of fraud in connection with the company that crashed in 1983 with debts amounting to more than HK$10bn.

This may be a tall order for one of the most talked about scandals in Hong Kong's history, linked with a murder, suicide, hasty and discreet departures from the territory, and numerous corporate collapses over the past three years.

Morton's return

Kenneth Morton's return to Hill Samuel, after an absence of 13 years, will once again see him working for Christopher Castleman, his former boss in the bank's corporate finance department.

The two men shared an office and, together, burned the midnight oil cutting their corporate teeth on a string of takeover battles like Robert Maxwell's bid for control of the News of the World. He failed, but Morton, in his more recent capacity as finance director of Reed International, eventually helped fulfill Maxwell's newspaper ambitions by selling him the Mirror titles.

Morton, aged 46, is returning to the board of Hill Samuel, where Castleman is now chief executive, as a member of the bank's executive committee. He joins the group's small, central management team and his specific responsibilities will include corporate planning and overall control of regulatory matters affecting the group's various securities-based activities.

Long way to go

If the frost relents and horse racing is possible at Ireland's Limerick Junction track on Thursday, it will be held at Tipperary.

I know that sounds like one of my Andorran stories, but it is true.

Many racegoers have been turning up in Limerick for the races—only to discover that Limerick Junction is 23 miles away, near Tipperary.

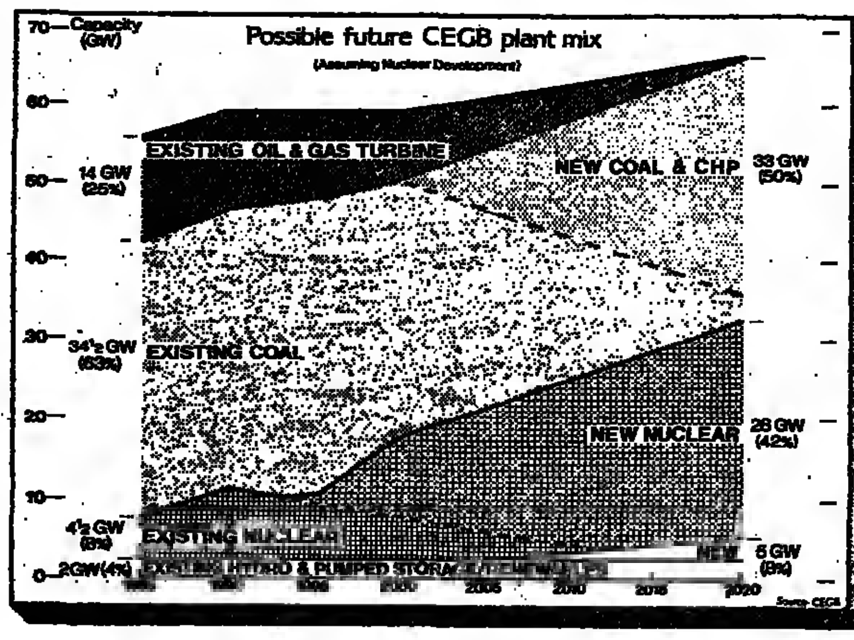
So the track is being renamed Tipperary in the hope that fewer people will have a long way to go.

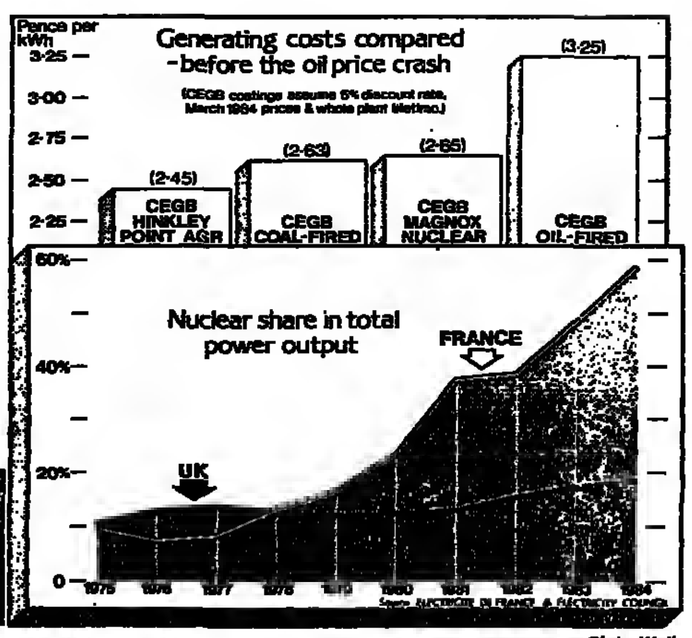
Observer

BRITAIN'S NUCLEAR INDUSTRY

The make or break year

By David Fishlock and Max Wilkinson





Chris Walker

HAS NUCLEAR power a future in Britain, or is it now doomed as a passing phase of technology, overtaken as inevitably as the steam locomotive and radio valves?

After yet another burst of alarms and excursions from the nuclear industry — most notably surrounding the Sellafield reprocessing plant in Cumbria—it is a question which needs to be taken seriously. Politicians are increasingly inclined to ignore the nuclear issue and to defer indefinitely crucial decisions related to radio-active matters, including nuclear waste disposal and the next generation of nuclear power stations.

Headlines proclaiming yet another radiation leak at Sellafield have become almost a daily occurrence. Whether justified or not, they have raised the temperature of protest.

The decision last week to despatch a team of 12 inspectors from the Health and Safety Executive to audit the troubled plant, seems likely to be another source of delay for the crucial decisions about Britain's nuclear future. They will surely be postponed again, while ministers wait for the inspectors' report, not due until late summer.

The major decision, on whether to build a new Pressurised Water Reactor (PWR) at Sizewell on the Suffolk coast has already been held up for three years by one of the most complex public inquiries ever mounted in Britain. Sir Frank Layfield's report is still awaited by the industry with a mixture of hope and resignation. Many fear that by the time the full report is on ministers' desks they will be preoccupied with the next election. It is fast becoming a maxim in Whitehall that "there are no votes in nukes."

It may be symptomatic of public attitudes that a recent opinion survey showed that almost half those questioned believed nuclear power was a cause of "acid rain."

Senior figures in the industry still tend to guffaw at such folly, but such "opinions" can be variously interpreted as ignorance or a widespread lack of public trust in almost any claim made by "experts" on behalf of nuclear power.

This scepticism is reflected in the moves by several local authorities to set up their own independent radiation monitoring service. "This is much too important to be left to the professionals," says Mr Terry Walker, an Avon County councillor.

The recent disclosure that discharges of radiation from the Sellafield reprocessing plant in Cumbria in the 1950s were 40 times the figure given to a government inquiry was just the latest in a series of damaging admissions which have helped to undermine the credibility of the nuclear authorities.

Now other questions are being asked, which the industry admits are clouding its future even if they do not seriously damage the intellectual case for nuclear energy:

● Does the steep fall in oil prices reduce the claimed cost advantage of nuclear power?

● Can Britain's excess capacity of oil-fired stations now move back into regular ("base load") service, so that the building of new nuclear stations can be postponed?

● How can the public be confident that the PWR is the right choice while nuclear industry leaders are still bickering in public about the rival merits of the advanced gas-cooled reactors (AGRs)?

● Can a renewed nuclear programme be allowed while there are still major uncertainties and unease about the disposal of radioactive waste?

● Does the improved performance of the coal industry since the defeat of the miners tilt the balance somewhat towards coal-fired stations — for social as well as economic reasons?

● Does the new cross-Channel power cable mean that the UK can now import cheap French nuclear power without the environmental hazards? French electricity, which starts to flow in this year, is costing 25 per cent less than average British-made power.

Broadly, the response in Whitehall is that the economic case for nuclear energy is indeed somewhat weaker now than three years ago when the Sizewell inquiry lumbered into action—but it is by no means destroyed.

The Central Electricity Board calculated then that the PWR would save about £1bn over its lifetime compared with the cost of a new coal-fired station. Since then the price of oil has about halved in real terms and forecasts of future oil and coal prices have weakened accordingly.

But they are still only forecasts. The Sizewell PWR could not be in service for nine years at least; and by 1994 when present North Sea oil reserves will be running out, most people expect the oil market will again be tightening.

CEGB calculations suggest that a nuclear station would lose its cost advantage only if oil prices remained at current levels and coal prices were about 30 per cent lower until the end of the century.

Nevertheless, the argument that nuclear is cheaper is being subtly merged into the case for a new power station on capacity grounds—that Britain will need an extra power station by 1994. Since the first generation of "Magnox" nuclear stations will be then near retirement, it is argued that the new station should be nuclear if only as an insurance against renewed labour troubles in the coal industry. The CEGB is reluctant to put too much reliance on France whose surplus might disappear during the long timescale now being considered.

But there is also a more subtle impact of lower oil prices. Although a nuclear station may be cheaper over 40 years, it is certainly very much more expensive to build. (The savings come later. Its fuel costs are far less than those of an equivalent oil or coal-fired station.)

With Government oil revenues for 1986-87 sharply reduced, the capital costs of Sizewell, running at about £300m a year, would put significant pressure on the Public Sector Borrowing Requirement at a time when falling oil prices are cutting tax revenues. Sizewell would be hefty down-payment for benefits which would not be felt until well beyond the horizon of at least three elections.

Perhaps these questions would have less force if Britain's nuclear industry could point to a more impressive record. But the programme which started out with such brave hopes three decades ago still produces less than 20 per cent of the country's electricity.

In less than half that time France has expanded nuclear power from single figures to two-thirds of its electricity supply. In Europe, Belgium, Finland, West Germany, Sweden and Switzerland all get greater proportions of their power from the atom.

Yet Britain's nuclear output is likely to fall rather than rise in the next year or two while the CEGB spends £100m or more on two of its latest nuclear stations, Hartlepool and Heysham 1. This extra cash is needed to overcome boiler problems which have restricted output in similar stations to only about 60 per cent of their design capacity.

At the root of Britain's nuclear troubles lies the AGR, a British invention which was chosen by an expert committee in 1965 as the basis of the country's second nuclear power programme.

Professor David Henderson, the chief economist at the Organisation for Economic Co-operation and Development in Paris and last year's Reith Lecturer, dubbed this one of the "worst civil investment decisions in the history of mankind," to be bracketed with Concorde and its Soviet counterpart *in the scale of losses*.

By the 1970s, when the AGR programme was bogged down in a morass of design and construction difficulties, the experts had become deeply divided about the future of the nuclear programme. The argument raged between a still hotter gas-cooled reactor, a version of Canada's pressure-tube reactor, a licence on the US PWR—or waiting for the AGRs to come right.

Fifteen years later, Britain is still waiting for the AGRs to come right. None has ever reached its design rating for an output of 660 MW.

Against this background it is not surprising that politicians look sceptically at the cost comparisons which are advanced to support the nuclear option. For the CEGB's figures assume its first PWR at Sizewell will be built on time (though the period is fairly generous) and will quickly reach full power.

The CEGB firmly believes that this is now within the industry's grasp, but whatever its arguments, past performance is not one of them.

The spiritual leader of the AGR movement is Sir Francis Tombs, who as chairman of the South of Scotland Electricity Board in the early 1970s called for a switch from the AGR to the pressure-tube reactor. Now as chairman of Rolls-Royce, he makes small PWRs for the Navy, but says the technology would not be safe in a large land-based power station.

The most vigorous spokesman for the PWRs is undoubtedly Lord Marshall, chairman of the CEGB, who had no part in the reactor decisions of the last two decades.

One of his most telling arguments is the cheapness of the French electricity — most of it made by PWRs — which Britain will start importing this spring.

Lord Marshall and Mr John Baker, the board member who led the CEGB team at the Sizewell inquiry, also point out that 19 years after the first two AGRs were ordered, and 11 years after they started to produce power, they are still not performing as intended.

These stations, Hinkley B and Hunterston B, cannot be refuelled at full power, although this was supposed to be one of their main advantages over the PWR in the 1960s.

Even by 1992, when a new fuel design is expected to be ready, it may still not be possible to refuel at full power. By then the first AGRs will be half-way through their design lives.

The AGR lobby replies that the two newest designs at Heysham 2 and Torness will overcome the problems of the earlier models. But these stations are still under construction.

Until recently, the prospects for the AGR were based on the rather slim hope that the Sizewell inquiry would result in a resoundingly negative verdict. More recently its supporters have seen the possibility of victory through political inertia and delay.

If the Layfield report is delayed for many more months, or if the hue and cry over Sellafield should increase, there is a growing feeling that the Government might feel obliged to postpone a decision until after the next election.

The CEGB is facing the possibility that under such circumstances it might have to disband its 300-strong PWR design team. Then the AGR—or coal—would win by default.

The CEGB has another difficulty in that much of the logic of its case depends on plans for a whole family of eight or nine PWRs.

But political support for such a grand nuclear scheme is now tepid at best, especially since the "defeat" of the miners and the resurgence of publicity about nuclear waste.

Probably all these arguments pale into insignificance besides the emotive—and important—question of nuclear waste disposal. Many still cite the Flowers report of 1976 on Environmental Pollution in support of the view that there must be no expansion of nuclear power until a "solution" is found to the problem of radioactive wastes.

Scientists continue to say that wastes present no serious technical problem and that press and lobbyists have wildly exaggerated some of the risks.

Be that as it may, the industry has at the very least, an enormous public relations job before it.

But time is not on its side. The supporters of a PWR believe 1986 will be make or break year for any serious hope of a growing industry. The CEGB put an enormous investment of effort, prestige and money behind its Sizewell B project.

If it should now join the list of British failures and blind alleys, the future of nuclear power in the UK must look doubtful indeed.

Letters to the Editor

Wapping and the unions

From Mr D. MacShane

Sir,—Your leader (February 17) is quite wrong to suggest that the present labour legislation is intended to take away from unions the possibility of organising another 1978-79 style "winter of discontent." Leaving to one side the fact that that event was one of the Conservatives' best post-war vote-winners, the legislation enacted since 1980 would not have been likely to affect the "winter of discontent" which was about primary strike action first by lorry drivers, then hospital workers.

There was widespread support for a fair pay deal among both groups of workers which presumably would have meant a secret ballot majority in favour of strike action. Neither set of managements would have had recourse to the law as the strikers' withdrawal of labour needed no additional help from other groups of workers.

This is not the case in the Wapping affair, where as in common with many other industries it is pressure on distribution or suppliers that has to be *maintained in order* to bring somo equality of relationship between employer and union. For Sogat and the NGA to find themselves in contempt of court for requiring their very own members to help their Wapping colleagues is an absolnto negation of trades unionism and makes trade union membership pointless in contemporary Britain. It is that, I suspect, that lies behind the trade union legislation of this decade and not any altruistic desire to prevent "winters of discontent."

It is interesting to note that no other democratic country has laws that are so favourable to the employer. In a recent important ruling in South Africa, the Industrial Court ordered the reinstatement of 120 black workers because the company concerned had refused to bargain in good faith before and during a dispute and had dismissed all the workers when they went on strike.

What is going on when apartheid jndges in South Africa interpret their labour law more even-handedly than those sitting in the Strand?

Denis MacShane,
International Metalworkers Federation,
Geneva, Switzerland.

Risk and reward in the City

From Mr P. M. Brown

Sir,—Taxation specifically aimed at inflated City earnings is likely to bolt the door just as the borse wants to re-enter the stable.

As your Editorial (February 18) makes clear, it is the creation of 29 market makers instead of two large jobbers that has underpinned most of the mega buck bidding for scarce skills. However, the parent companies of these 29 organisations are mostly conservative commercial institutions which will absorb and bend the exotic remuneration packages of their new recruits to their formal, graded pay systems.

The dealers of today are in the same position as geologists and seismologists in 1974-76 or micro-processor systems designers in 1982-84. They are the top dollar crowd whose skills command an enormous premium before the market or *technology solves the shortage*. Ask the programmers of yesterday if you want to see the erosion *of early skill-shortage* premiums.

Specific taxation would only come into place as the dealer *earnings boom starts to collapse* and one of the last non-graduate, high-earning, City activities is pushed into the formalised structures of graduate-only entry, now standard in US and Japanese market-maker organisations.

Peter Brown.
Reward Consultants,
9 Savoy Street, WC2.

The campaign over Sellafield

From Dr K. Little,

Sir—In connection with tha propaganda campaign that is currently being waged against British Nuclear Fuels at Sellafield, five facts should be clearly understood:

1—The worse credible accident at the Sellafield plant, and that includes deliberate sabotage, would not release sufficient radioactivity outside the perimeter fence to harm anyone.

2—The increase in Downe's syndrone that the Irish are complaining abont is a known side-effect of oral contraceptives, that is particularly likely to affect babies of adolescents who have been on the pill.

3—Those who complain about release of small amounts of radioactivity into the sea ignore that fact that the Atlantic ocean already containes 1,000m tons of uranium and 100m grams of radium, so that any additions to these naturally occurring alpha-emitting isotopes are negligible. The dilution is such that the radiation doses to which any individual could be subjected are far below those that could have any biological effect.

4—At the time of the Windscale inquiry a cousin of a director of the rival French reprocessing firm financed the whole of the anti-nuclear case. Since then, those continuing the campaign against British Nuclear Fuels have never been short of funds. If that campaign were to be successful, the rival French firm would have all the advantages of a world monopoly.

5—The real reason why anti-nuclear campaigners are asking for an EEC inspectorate to have access to the plant is to seek to discover those details of the process that at present give Sellafield a technical advantage. The International Atomic Energy Agency inspectors already monitor the materials going into and out of the plant—which is all that is required for a genuine safety inspection.

Dr Kitty Little,
8, Olney Court,
Marlborough Road, Oxford.

Labour's attitude to landlords

From the chairman, Small Landlords Association

Sir,—Your interview with Roy Hattersley (February 19) makes no reference to Labour'e strategy for the private rented sector.

Labour proposes to reinstate the position under the 1974 Rent Act, wbereby tho tenant of a resident landlord could be granted security of tenure for up to six months at a time, and *even indefinite security* in certain circumstances.

Relationships between resident landlords and their teoants can become severely strained and it is uncivilised to expect the landlord to suffer such a relationship for a long period, still less indefinitely. Labour should recognise this fact and withdraw these proposals.

As far as the non-resident landlord is concerned, Labour proposes to "socialise" his property at the tenanted value. This might not be unreasonable compensation for the "sitting tenant" property purchased by investment landlords including the tiny minority of Rachmans that Labour rightly condemns.

But for the non-resident landlord who bas let with vacant possession, sucb compensation would be nothing short of expropriation.

Perbaps this issue illustrates the fundamental changes that bave taken place within the Labour Party. In 1956, Lahour advocated mnnicipalisation of the private rented sector bot said, "of course, fair compensation would be paid to existing owners." Now it seems to argue that it is perfectly fair to enact legislation which imposes *sub-economic* rents, and then declare that the appropriate value of the property for compensaton purposes is the one devalued by the legislation.

If Labour can steal the property of the *bona fide* private landlord by such specious argument, the electorate should ask: "Whose property will they steal next?"

Geoffrey Cutting.
7, Rosedale Avenue, SW16.

Japanese nip into distillery

From Mr P. H. Tray

Sir,—Although I have no connectioo with the whisky industry (apart from enjoying modest quantities of malt whisky), the idea of acquiring a small malt distillery has always heen one of my dreams — particularly since here was *one* product which could not be made in Japan. Alas, Tomatin was rather too big—indeed I believe in has the largest malt capacity in Scotland, and thus in the world.

Now I see that it is being bought by Japanese interests for an *undisclosed sum*—but one which I strongly suspect is less than 0.1 per cent of Argyll's bid for Distillers. It seems that, as in so many other fields, the Japanese not only take a long view, but prefer to invest rather than just swap hits of paper.

Whatever finally happens in the Distillers battle, undoubtedly the Japanese bave acquired a facility for providing formidahle further competition to the Scotch whisky industry—at relatively infinitesimal cost.

Peter Tray.
Victoria House,
Southampton Row, WC1.

British petrol pump prices

From Mr R. T. Mathias

Sir,—I have jnst returned from a week in the Netherlands and Germany. The cost of petrol at the pumps has fallen in the last few weeks by slightly more than 30 per cent in both countries.

It would seem that we in Britain should by now be benefiting from the sharp drop in the price of oil. Why do we take so long to realise the benefits and so short a time to pay the penalty for price increases in valoe of oil? The same companies market tbe same product in all three countries and get their oil from the same potential sources. What is wrong with the British public that it pnts np with this kiod of thing time and time again?

R. T. Mathias,
6 Wood Street,
Swindon, Wilts.

FINANCIAL TIMES

Tuesday February 25 1986

Gorbachev to outline goals as party congress opens

BY OUR FOREIGN STAFF

THE 27th Soviet Communist Party congress opens today in Moscow with a speech from Mr Mikhail Gorbachev in which the party's general secretary will outline his programme on foreign policy, the economy and party ideology.

His audience in the Kremlin's Hall of Congresses will be 5,000 Soviet party delegates – who can be expected to give Mr Gorbachev the political mandate for change that he is seeking – and 153 delegations from some 113 foreign countries.

China is the only major communist country not to send a delegation, while 21 delegations from foreign socialist and social democratic parties have been invited to attend for the first time in an apparent bid by Moscow to orchestrate a broad front of support for its disarmament policies.

A key function of the party congresses, which are held every five years, is to appoint a new central committee, the elite body of more than 300 top officials who fix or ratify policy in the interim periods between congresses.

Since Mr Gorbachev became general secretary last March he has purged many regional party, military and government officials, whose jobs carry ex-officio membership of the central committee.

Thus a large turnover is expected among the 319 central committee members appointed at the last congress in 1981.

The central committee also appoints the Politburo, the highest decision-making body, but fewer changes are expected here. Mr Gorbachev's supporters already predominate among the Politburo's 11 members with full voting rights.

Before the new central committee's appointment, expected next week, the congress is due to approve a new programme setting out party goals until the end of the century and replacing the Utopian and out-of-date programme promulgated by Krushchev 25 years ago.

Mr Nikolai Ryzhkov, the new Prime Minister brought in by Mr Gorbachev last autumn, will also present the new economic plan for 1986-90.

On past pattern this is unlikely to provoke much spontaneous debate at the congress, though some of the economic plans have been undermined by the current decline in the world price of oil, still the largest single hard currency earner for Moscow.

The congress will take its tone from today's speech by Mr Gorbachev, who is likely to dwell on the economic and political shortcomings that built up in the long (1964-82) Brezhnev era. This is the first congress since the death of Brezhnev, and, coincidentally, it opens 30 years to the day since Khrushchev's congress speech denouncing Stalin.

For the 10-day congress, Moscow has been dressed up in more flags, banners and exhortatory placards than usual. Theatres are staging new plays and galleries special exhibitions, while extra goods appear to be on sale in the shops to impress the many out-of-town delegates to the congress.

Gorbachev's task, Page 24

Patrick Cockburn visits Soviet Turkmenistan, land of lost agricultural opportunity

Where cotton is king but salt is poison

THE BORDER between the Soviet Union and Iran is marked by a snow-covered mountain range running just to the south of the city of Ashkabad, capital of the Soviet Republic of Turkmenistan. Soviet guards armed with Kalashnikov machine guns search cars driving into the foothills below the mountains but few people cross the border itself.

For almost everybody in Ashkabad, apart from a few with relatives in Iran, the Kopetdag mountains form an uncrossable barrier between Soviet central Asia and the Iran of Ayatollah Khomeini.

The two worlds could not be more different. Although the holy city of Mashad lies not far away on the other side of the border there is not a single mosque in Ashkabad, population 400,000, and only four in the whole of Turkmenistan.

Does Islamic belief survive among the 3m population of Turkmenistan, most of whom were Moslems before the 1917 revolution? Evidence is slight: Before a 12th century Islamic shrine in the semi-desert outside the city of Mari this week, a Turkoman with a grey beard was praying fervently but a mile away a working mosque was empty. A well-educated local woman said that religion was a matter for women and the old.

A Soviet handbook for spreading atheism in Turkoman villages published last year says nevertheless that in country areas, as opposed to the cities, religious sentiment and old customs make a strong contribution. "Selling girls, taking bride money and keeping the bride at her parent's home for a certain period of time, and people working as quacks and sorcerers to lead a life of ease, are still seen among the population."

But there is little sign, apart from such sporadic indications of official Soviet nervousness, to support the theory that the Islamic revolution which overthrew the Shah in 1979 or the Soviet intervention in Afghanistan in 1980 had much influence on the 44m inhabitants of Soviet central Asia.

Yet Turkmenistan and the other four central Asia Republics remain very different from the rest of the Soviet Union. When Moscow was under deep snow in mid-February it was warm enough to walk about without a coat in Ashkabad and Mari, the second biggest city of the republic.

Fresh grass was growing in the pasture land between the mountains and the vast Kara Kum desert which makes up 80 per cent of Turkmenistan.

Ashkabad itself is a new city, rebuilt since it was completely destroyed by an earthquake in 1948 in which as many as 60,000 people were killed. "I have to live at home to look after my mother whose legs were crippled in the earthquake," said one woman. The massive supporting columns of the new earthquake-resistant buildings give them a squat appearance but the people in the street look prosperous.

The warm climate of Turkmenistan – nearly 300 days of sunshine a year – has always made it appear to be the land of agricultural opportunity to planners in Moscow. There are few rivers or streams, but starting in 1954 the Kara Kum canal has been extended 1,100km west towards the Caspian sea, making it one of the longest canals in the world, carrying water from the Amu Darya river to the irrigation ditches in the cotton fields on either side of the canal.

It is cotton and the size of the cotton crop, not Iran, Afghanistan or resurgent Islam which has been a key behind the recent purge of Communist Party leadership in Turkmenistan and the rest of Central Asia.

Between 1980 and 1985 Turkmenistan supplied the Soviet Union with 6m tonnes of cotton but yields are low and investment high. Irrigation with inadequate drainage has increased the amount of salt, known locally as white poison, in the fields, reducing annual cotton output by some 400,000 tonnes.

An attack on the way in which Turkmenistan agriculture is run in the Communist Party daily Pravda last August was a signal that Mr Mukhamednazar Gapurov, Communist Party first secretary for Turkmenistan since 1969, would not long survive.

"Many fields that at first were quite fruitful are empty today, and look as if they were covered in snow but in fact it's salt," wrote Pravda. Why, it asked, given sunshine, warmth and land, did Turkmenistan eat more than it produced?

Mr Gapurov was pensioned off at the Turkmenia party congress in December. "Under him cadres were often promoted to leading posts on grounds of personal loyalty, family ties or birthplace," reads a report of the congress. He had created "a breeding ground for nepotism, flattery and careerism, created an atmosphere of laxity and back scratching, and gave rise to servility and irresponsibility."

Harsh words, but the local leadership cannot be blamed for everything. The insistence of Moscow on judging everything in Turkmenia by the cotton statistics is also responsible for the troubles of local agriculture.

"The republic supplies the country with cotton – that is its chief duty and concern – but it has no strength left for anything else," say local party officials in charge of food and agriculture.

Too much was expected from the reclaimed desert watered by the Kara Kum canal, exploitatioo was too rapid and local leaders tried to cover up the failings that inevitably ensued.

Marcos under pressure

Continued from Page 1

men as more senior officers defected to their side. Also at their immediate disposal were a dozen belicopters and the bulk ol the airforce.

The allegiance of the army under Gen Josepbus Ramas, bowever, was another matter and it still appeared to belong to Mr Marcos. Geo Fabian Ver, Mr Marcos's armed forces chief, was believed to be still at his post.

Despite fears of an ottack, a mood ol rising expectation was spreading among people keeping their vigil outside Camp Crame lor a third night. Mrs Aquino was already being called "President"

Saatchi & Saatchi acquires US agency in $75m deal

BY LIONEL BARBER IN LONDON

SAATCHI & SAATCHI, the fast-growing advertising and business services agency, yesterday announced a $75m US acquisition through its wholly owned subsidiary, Dorland Advertising.

Dorland, the third largest UK advertising agency, is to be granted an option to buy full control of Dancer Fitzgerald Sample (DFS), which billed $876m in 1985.

The new grouping creates an international advertising network, DFS Dorland Worldwide, with $1.2bn billings, ranked 16th in the world, Saatchi said. Saatchi shares closed at 870p, up 23½p on the day.

The deal, however, is unusually intricate. It aims to leave ownership and control of DFS with tha US agency's key executives while also allowing DFS Dorland to operate autonomously from Saatchi & Saatchi Compton Worldwide, the international network owned by Saatchi.

In exchange for its option, Dorland will provide a $75m loan to a company formed by five DFS executives, to be called DFS Management Inc. These funds will then be used to acquire DFS from its existing shareholders.

In a separate aspect of the deal, Dorland will receive interest oo its loan at a floating rate of up to 15 per cent per annum until it exercises its option, at which point the loan would be waived.

A single further payment based on DFS's performance up to December 1990 will probably be necessary. This would equal the amount by which DFS's aggregrate earnings after tax exceed $41m over the period, before payments on the Dorland loan.

In the 12 months to August 1985, DFS made $17.6m pre tax, after adjusting for bonuses and profit sharing. Net tangible assets stood at $34.7m.

Dorland's turnover has grown 30 per cent per annum since it was acquired by Saatchi in 1981, but it said that it needed an international link to maintain growth. Saatchi and Dorland, despite their ownership link, compete with each other in the UK; the idea is to repeat this pattern worldwide.

ICI wins tax ruling on ethane

By Lisa Wood and Raymond Hughes in London

ICI, the UK chemicals group, won a potentially important victory yesterday against the British Government in a court ruling on proposed tax concessions on ethane gas, a petrochemical feedstock used by its rivals, Shell, Esso and British Petroleum.

Tha Court of Appeal in London ruled that any preferential tax arrangements for the oil companies would be a breach of both English and EEC law. Any agreement already made between the tax authorities and the oil companies was invalid, the three judges said.

Unless the ruling is reversed by the House ol Lords, the Inland Revenue might have to revise any valuation it has put on ethane gas for tax purposes.

Analysts say that such a move could have an adverse effect on the profitability of a new £500m ($720m), joint Esso and Shell petrochemical plant at Mossmorran, Scotland, which uses ethane gas as a feedstock for ethylene. "The ruling must make Mossmorran a less economic proposition," said Mr Mark Quilliam, of stockbrokers James Capel. "It is difficult, bowever, to evaluate by just how much."

The ruling will potentially put ICIs petrochemicals business on a more secure footing. ICI, whose shares closed last night up 39p at 939p after a strong day for equities, had claimed that the tax concessions on ethane would put its activities in ethylene at a disadvantage. ICI, in its four-year fight against the concession, claimed that its exclusion from the new rules could have serious consequences for its petrochemical plant at Wilton, Teeside, which has 9,000 employees.

Shell and Esso said yesterday they would need more time to examine the ruling before commenting on its implications for Mossmorran. BP, which converted its ethylene plant at Grangemouth in north-west England to use either napbtha or ethane as a leedstock, also wished to examine the document before making any comment.

Both Shell and Esso, operating in a market with an acute problem of overcapacity of ethylene, bave rationalised their activities in Europe to fully utilise the Mossmorran plant, which started up last year.

The controversial plant was planned in the late 1970s on optimistic demand projections. However, in mid-1981, Esso and Shell made clear to the Government that they were oot prepared to go ahead with the project without some kind of financial assistance.

Court hearing, Page 22

Portugal reveals huge public debt

BY DIANA SMITH IN LISBON

PORTUGAL'S four-month-old minority Social Democrat Government bas brought to light lor the first time the huge dimensinns of the accumulated public debt.

In voluminous annexes to 1986 budget proposals sent recently to parliament, Professor Anibal Cavaco Silva's Government has supplied a detailed breakdown on the state's debts.

The annexes include information on state-operated special funds used to subsidise prices of basic foodstuffs, and tbe public industrial sectnr created abruptly in 1975 wben a brief Communist - led revolution forced the nationalisation of major corporations.

Government figures show that on December 31 1985 the public debt was Escudo 2,500bn (£11·5bn) or 74 per cent of gross domestic products. Together with tbe Es 861bn debt of the state operated funds, total indebtedness exceeded the 1985 gross domestic product.

With the expiry nf grace periods on much nf the public debt, the government expects a 44 per cent increase in debt servicing, with interest payments this year of about Es 470bn.

According to the Government, public sectnr compsnies ran up operating losses of Es 54bn in 1985, with the worst record held by CNP, the national petrochemicel corporation, whicb bad an operating loss of Es 33bn.

Quimigal, the basic chemicel and fertiliser corporation, ran a loss of Es 12bn, and Setenave, the shipyards group, a loss of Es 11bn.

Fnr tbe five-year period 1979-1984, public sector companies produced net losses of Es 233bn.

Parliament, wbere the Government holds nnly 85 nf the 250 seats and which in this legislature has a number of seninr economists among the deputies, bas welcomed the new methodical approach to the public sccount.

It believes the budget on the whole is a good one, but bopes that it cen induce the administration to use soma of tha windfall caused by tbe weak dollar and by plummeting oil prices to reduce the deficit.

The deficit will be 11 per cent of gross domestic product this year, due entirely to the weight of the public debt.

Without the debt requirement, the Government would have been sble to balance the budget wbicb concentrates on much needed investment in infrastructure, edncation, agriculture, roads and water supplies.

These budget investments will be matched by tha structural EEC funds to wbich Portugal is now entitled as a member of tha Community.

World Weather

		°C	°F
Ajaccio	S	14	57
Algiers	S	23	73
Amsterdam	S	0	32
Athens	S	17	63
Bahrain	S	21	70
Bangkok	S	32	90
Barcelona	S	12	54
Beirut	S	15	59
Belfast	S	3	37
Belgrade	Sn	-2	28
Berlin	C	-6	21
Biarritz	C	12	54
Bombay	S	33	86
Bordeaux	C	7	45
Brussels	S	-2	28
Budapest	Sn	-3	27
B. Aires	S	27	81
Cairo	F	21	70
Cape Town	S	27	81
Caracas	C	26	79
Casablanca	C	16	61
Chicago	Sn	0	32
Cologne	Sn	-6	21
Copenhagen	S	-4	25
Corfu	C	14	57
Dallas	–	–	–
Dublin	F	4	39

		°C	°F
Dubrovnik	C	12	54
Edinburgh	F	4	39
Faro	C	16	61
Florence	C	15	59
Frankfurt	S	-4	25
Funchal	C	18	64
Geneva	C	3	37
Gibraltar	S	16	61
Glasgow	C	1	34
Guernsey	S	2	36
Helsinki	S	-13	9
H. Kong	F	17	63
Innsbruck	Sn	-5	23
Inverness	F	2	36
Islamabad	S	22	72
Istanbul	S	14	57
Jakarta	C	31	88
Jersey	S	0	32
Jo'burg	S	24	75
Luxor	S	26	79
Lisbon	F	15	59
London	S	2	36
Los Angeles	S	31	88
Luxembourg	S	-3	27
Madrid	S	10	50
Majorca	F	17	63
Malaga	S	21	70

		°C	°F
Malta	–	–	–
Manchester	F	4	39
Manila	S	31	88
Melbourne	–	–	–
Mexico City	S	22	72
Miami	C	27	81
Milan	S	9	48
Montreal	Sn	-7	19
Moscow	C	-8	18
Munich	C	-6	21
Nairobi	S	29	84
Naples	C	16	61
Nassau	S	28	82
New Delhi	S	29	85
New York	C	3	37
Nice	S	15	59
Nicosia	C	18	64
Oporto	C	13	55
Oslo	S	-6	21
Paris	S	-1	30
Peking	S	3	37
Prague	S	-7	18
Reykjavik	S	2	36

		°C	°F
Rhodes	S	17	63
Rio de J'o	C	35	95
Rome	C	15	59
Salzburg	Sn	-3	27
San Francisco	S	22	72
Seoul	S	0	32
Singapore	F	32	90
Stockholm	S	-11	12
Strasbourg	S	-6	21
Sydney	C	20	68
Taipei	C	16	61
Tangier	C	15	59
Tel Aviv	F	18	64
Tenerife	S	21	70
Tokyo	F	8	46
Toronto	C	-1	30
Tunis	S	24	75
Valencia	F	17	63
Venice	S	6	43
Vienna	S	-7	19
Warsaw	F	-7	19
Washington	–	–	–
Zurich	Sn	-5	23

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Solvay expands in US

BY QUENTIN PEEL IN BRUSSELS

SOLVAY, the Belgian-based international chemicals group, is to step up its involvement in the US pharmaceuticals market with the $117.5m purchase of Reid-Rowell of Atlanta.

The two companies announced yesterday that they had agreed on a definitive merger providing for the acquisition of Reid-Rowell, a manufacturer and marketer of ethical pharmaceutical products, by a new American subsidiary of Solvay.

The move underlines the diversification by Solvay, a traditional producer of large-volume plastics and petrochemicals, into higher value-added sectors. It already has interests in US pharmaceuticals through its Dutch subsidiary, Duphar, and the West German company Kali-Chemie.

The new Solvay subsidiary will shortly open a cash offer for Reid-Rowell shares, including existing stock options, valued at $117.5m. Each share of common stock not purchased under the tender offer will be converted in the merger into the right to receive $10.875 in cash.

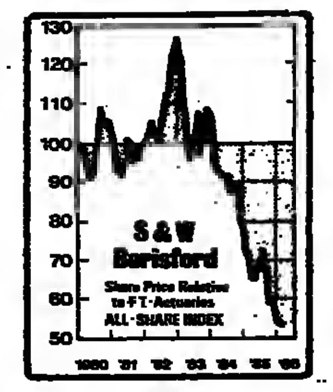
Solvay said yesterday that members of the Gottwald family, holding some 33 per cent of the Reid-Rowell shares, had granted tha company an option to purchase their stock at the same price.

Approval ol the merger requires agreement by two-thirds of the shareholders.

THE LEX COLUMN

Just reward for a sweet tooth

Yesterday's movement in the equity market gave a foretaste of what can be expected in the months after 'Big Bang'. ICI found its way on to the recommended purchase list of a leading US broker, the price jumped 39p to 939p and London's jobbers were left short of both stock and patience. Life never used to be like this.



S. & W. Berisford

The market bad so long and comprehensively prepared itself for the 1984-85 S. & W. Berisford figures that even a drop of a third in pre-tax profits (to £53m) was nothing compared to a nightmare dividend: the share price rose 12p to 168p.

Not that the figures were entirely straightforward. A provision of £10m might seem prudent for an equity participation in the company that is to sell off the ITC tin stocks. But if Newco does not get off the ground, Berisford's losses could be twice that. Nor could the market have predicted that the ghost of Erlanger Tubular Works business in the US, apparently felled by an auditor's silver bullet in the 1983 accounts, should return to haunt these figures. It seems that even a provision of £23.5m then was not enough against plant and pipe-stocks that nobody wants; and only the revaluation of the RHM stake plugged the new hole of £19m in shareholders' funds.

Whether a further revaluation might offset any negative goodwill in the disposal of the sugar-beet monopoly is an intriguing thought; but, in truth, these figures do little to encourage those whipping up interest in the share with prospects of the sale of British Sugar. Even in such a bad period as the year to September, where processing costs were rising on a strengthening dollar, British Sugar put in over half of Berisford's pre-interest profit. The Berisford balance-sheet would indeed be revolutionised by a disposal. But however unappealing the present mixture of manufacturing monopoly and bank, it is hard to see Berisford proving a more attractive income investment on the basis of a commodity trading business which halved its profits last year. As it is, the share yields over 9 per cent on the presumption of an unchanged dividend this year.

BCal

If British Airways is bothered about entering the private sector with an overstretched balance sheet, it can draw some comfort from the report and accounts of its UK rival, British Caledonian. In the year to October BCal registered an operating cash outflow of well over £100m – capital spending covered the depreciation charge almost five times over – and the group wound up with tangible net worth of £92m supporting net debt of £265m. BCal had intended to set matters straight with a public flotation, but that was on the assumption that the Saudi routes wrested from BA would chip in around £18m a year, effectively doubling the group's profit.

Unfortunately, Saudi traffic has dropped almost as fast as the oil price, and when transfers to intangible fixed assets and other curiosities are stripped out of the revenue account, the underlying growth in operating profits has been disappointing. BCal estimates continuing profitability in the current year, which scarcely sounds very bullish, and apparently has no immediate intention of reviving the flotation idea. The group's debt burden is neither here nor there by the standards of North American airlines but with operating profits covering the interest bill less than 1½ times, a capital injection would hardly be unwelcome.

Vickers

The steady rise of the Vickers share price since the autumn has not been just a matter of riding up on the market escalator; the price has also discounted something – who knows what? – by way of compensation from the European Court. Yesterday's leap of 35p, to 405p, suggested that the market had rather underestimated the scope for growth in Vickers' business; an increase of 46 per cent to £45.1m of pre-tax profit for 1985 was not quite in the price.

Since Vickers has made a habit of springing at least one unhappy surprise with each set of results, an element of caution was not unjust. This time, it proved that marine engineering had stumbled under the weight of three simultaneous product launches. Where the numbers are larger, in Rolls-Royce and in the lithography business alike, it fortunately seems that operations are well under control. And the accent, in Rolls at least, is currently on maintaining margins rather than expanding output to the very last limousine.

The balance sheet is both smaller and less highly geared than for many years, producing a return on equity that is a good six points higher than in 1984. On profits of £55m this year, the prospective multiple is about 9½ times earnings; one penalty of an improving track record is a rising tax charge, but so far Vickers' rating has more than managed to compensate for this.

Currency options

The dollar's rise in defiance of all forecasts last year must have made Lufthansa, for one, congratulate itself. Laying out $500m for aircraft a year ago, the airline appears to have used forward currency deals to lock in a rate of DM 3.20 for about half the dollar total. Its subsequent free fall, to below DM 2.30, will have given Lufthansa second thoughts about the opportunity cost of parachutes.

Smart-alecks would have done the job with currency options instead: D-Mark puts could have saved Lufthansa the cost of further dollar strength and held on to the chance of a windfall profit. But the over-the-counter market might have gagged on the amount and premiums were in any case expensive, at times more than 6 per cent: few finance directors like to lay out $30m on an option which they would prefer never to exercise.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday February 25 1986

Rheinmetall wins battle for control of Pierburg group

BY JOHN DAVIES IN FRANKFURT

RHEINMETALL, the West German machinery and armaments maker, has succeeded in taking an 80 per cent stake in the Pierburg group, which makes carburettors for cars.

The takeover, which marks the end of a battle for control of Pierburg, is a significant move in the rapidly growing field of motor vehicle electronics.

Pierburg, with annual group sales of about DM 600m ($260m), last year became the centre of a tussle between Siemens, the electrical and computer company, and Robert Bosch, the automotive components and electronics concern.

Siemens reached agreement with the Pierburg family to buy their 80 per cent holding, but the Cartel Office indicated it would block the deal unless Robert Bosch sold its 20 per cent holding. Concerned about Siemens' ambitions in motor vehicle electronics, Bosch refused to bow out and found Rheinmetall as an alternative buyer for the family interests.

Despite reports of complications in negotiating with family members, the sale now has been finalised, with Rheinmetall taking over management control and entering into a technical co-operation agreement with Bosch.

Pierburg is to develop, manufacture and market its own petrol fuel injection system for cars. Bosch will back the project with knowhow and will supply electronic control equipment.

The Rheinmetall takeover is still to be examined by the Cartel Office, but its approval is expected.

Siemens, which has been steadily building up its motor vehicle electronics operations, hoped to gain access to Pierburg's carburettor experience and to use the company as a springboard for further expansion.

Rheinmetall, with sales of DM 2.6bn a year, sees Pierburg as a welcome diversification. Under its influence, Pierburg is expected to invest in modern technology and become a stronger market force.

● VDO Adolf Schindling, which makes control and information systems for vehicles, is planning a stock market launch in West Germany within the next few months. VDO, which had group sales of DM 1.7bn last year, plans a public offer of non-voting preference shares. Ordinary voting shares will remain in the hands of descendants of the company's founder.

VDO said that the funds raised through going public would help the company to expand and to carry out the necessary investment and research.

GM drops plan to buy Spanish truck group

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS (GM) of the US is unlikely to reopen negotiations to take over Enasa, the state-owned Spanish heavy truck producer, said Mr Bob Price, executive vice-president of GM's Overseas Group.

GM pulled out of talks with the Spanish Government last October after 10 months of discussions about the loss-making truck company.

Mr Price said that even if GM's attempts to buy Leyland Trucks and Land-Rover from BL in Britain came to nothing his company would not turn to Enasa as an alternative.

The Leyland and Enasa negotiations had been separate and not linked. "Enasa was only for Spain. It has no European dealer network to speak of," Mr Price said.

Some contacts between GM and Enasa have been kept open because the Spanish company is hoping to set up a licensing deal to replace its rapidly ageing range of medium and heavy vans.

GM has offered Enasa vehicles designed by its Japanese associate, Isuzu, but Mr Price indicated he did not expect the offer to be accepted.

Toyota of Japan has also told Enasa it would be interested in a van-licensing deal, but the Spanish Government still seems to be hoping for an offer for the whole of the business.

Beghin-Say plans Milan listing

BY ALAN FRIEDMAN IN MILAN

BEGHIN-SAY, the French sugar, foods and paper group which last week came under the effective control of Italy's Ferruzzi agribusiness concern, is understood to be planning to seek a quotation on the Milan bourse and to raise cash via a share issue

Although plans are still at a preliminary stage, the Milan share issue would represent part of the process by which Ferruzzi is consolideting its hold on the French group. In the sugar business, Ferruzzi and Beghin-Say have a combined share of around 18 per cent of the European market.

Ferruzzi first took control of Beghin-Say five years ago, but the takeover met political opposition in Paris, and Mr Raul Gardini, Ferruzzi managing director, decided then to reduce the stake from 50 to 40 per cent.

Last week Ferruzzi paid L50bn ($31.7m) to buy 9.6 per cent of Beghin-Say, thus boosting its shareholding to 49.6 per cent.

Esselte lifts turnover by 14%

BY DAVID BROWN IN STOCKHOLM

ESSELTE Business Systems (EBS), the US-based subidiary of Esselte office supplies and packaging company of Sweden, lifted its 1985 pre-tax profit from $57.1m to $68.9m.

Turnover climbed 14 per cent to $695.5m, compared with the $610.2m achieved a year earlier. Fourth-quarter sales climbed 26 per cent to $204m, while net profits advanced from $7.7m to 8.4m.

EBS said fourth-quarter profits were hit by a $3.1m exchange loss in connection with the group's sale of a South African subsidiary.

It said all three divisions had otherwise developed strongly during the period. The group plans to continue its acquisitions programme to strengthen its North American market position.

William Hall and Paul Taylor contrast the management styles of two airline chiefs

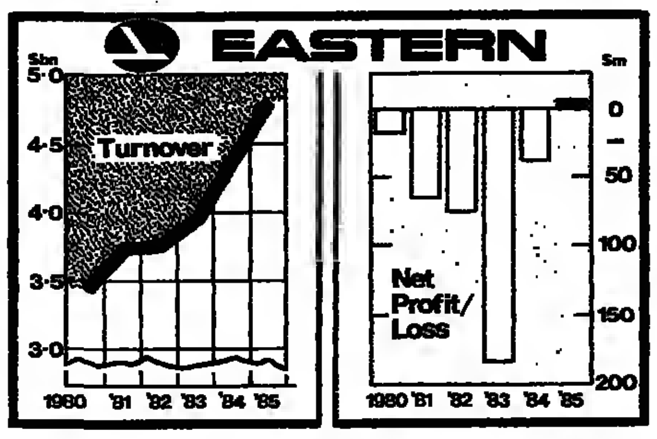
It was Texas or bust for Eastern

COLONEL Frank Borman, the former US astronaut who heads Eastern Air Lines, had said this week would be the most important in the history of America's third biggest airline.

The Miami-based carrier faced a showdown with its pilots, who were due to strike on Wednesday, and its nervous lenders had given it until Friday to win about $450m in new wage concessions or be in technical default on its $2.5bn long-term debt.

Early yesterday Eastern Air Lines announced it had reached agreement in principle to be taken over by Texas Air, a leading cut-price US airline. Texas Air, the chief executive of which, Mr Frank Lorenzo, has been a pioneer of cut-price air travel, is one of the biggest success stories spawned by the deregulation of the US airline industry. Eastern Air Lines appears to be the biggest casualty to date.

Mr Frank Lorenzo: president of Texas Air



Colonel Frank Borman: Eastern Air Lines' president and chief executive

Mr Borman said yesterday: "There is tremendous potential in this agreement to make Eastern a much stronger and competitive airline. There is no question that the sale was in the best interest of our employees and shareholders."

However, it is clear the decision to sell out to Texas Air, an arch-rival, must be a bitter disappointment for Mr Borman who only a few months ago was being hailed for saving the 58-year-old airline from almost certain extinction.

In 1983, when the airline had been on the brink of bankruptcy, Colonel Borman and Eastern's unions negotiated a revolutionary power-sharing agreement. In exchange for $380m in wage concessions, Eastern's 38,000 employees received 25 per cent of the company's stock and four seats on its board.

Two years later Eastern was reporting record profits, employees were enthusiastically suggesting ways to raise productivity and lower costs, and brokerage firms were pitting their clients in Eastern, shares of which more than tripled at one stage last year when they touched $12⅜.

The Harvard Business Review said in an article late last year, focusing on the dramatic turnround, that the "Eastern story suggests a genuinely new model of labour relations in an unionised setting, one that reaches well beyond conventional employee involvement."

The review noted that one of the reasons for the turnround was a "remarkable contract" negotiated between the company and the International Association of Machinists (IAM), the largest of Eastern's three unions.

Eastern was a high-cost carrier with serious labour problems which was being confronted by fierce competition from the new generation of cut-price carriers like Continental Air Lines and People Express. It appeared as if the remarkable deal with the IAM was going to save the company.

However, the honeymoon between Eastern and its main union did not last long. The outbreak of a fierce price war late last year and sharply increased competition on Eastern's profitable Florida routes pushed the company into heavy losses in the second half of 1985.

The company reported a fourth-quarter loss of $87.4m, its bankers became restive and Mr Borman was forced to seek further concessions. He wanted to cut the company's 1986 payroll of $2bn by a quarter. Something had to give.

Eastern said yesterday it had reached tentative agreements reflecting reduced wage and relaxed work rules with the pilots' union and the flight attendants' union. However, it said the IAM, which recently agreed to a new wage contract giving them a 14.5 per cent increase by 1987, "would not agree to consider any cost relief for the airline whatsoever."

"Because of the refusal of Charles Bryan, President of District 100 of the IAM, to take appropriate action, the board of directors had no choice but to agree to the sale of the airline", Eastern said yesterday.

For 45-year-old Mr Lorenzo, who is also chairman of Texas Air's main subsidiary, Continental Airlines, the eighth largest US carrier with $1.7bn in revenues last year, the deal with Eastern appears to be the culmination of a 15-year battle to establish himself as a major force in the US airline industry.

Mr Lorenzo has been involved in controversy ever since he took over and revived near-bankrupt Texas International Airlines (TIA) in 1972. He first enraged organised labour in 1980 when he set up New York Airlines as a non-union carrier flying the East Coast routes.

Two years later, after a brutal takeover battle, he took control of Continental Airlines, the operations of which were merged with TIA. His boldest move, however, came in September 1983, when he put Continental into Chapter 11 of the US Bankruptcy Code after failing to win substantial wage concessions from the workforce.

In the wake of the Chapter 11 filing Mr Lorenzo tore up all the old wage contracts and slashed pay-rates by 50 per cent. The action triggered a bitter two-year strike by Continental's 1,400 pilots.

Despite trade union opposition, Continental managed to keep flying during its Chapter 11 proceedings by hiring from outside the company and persuading strikers to return to work. By slashing costs, cutting its wage bill to 22 per cent of overall costs from 36 per cent, Continental has reduced its break-even load factor to 61 per cent.

Buoyed by these lower costs the airline's profits have bounced back. After losing $180m in 1983, the airline reported net earnings last year of $60.9m – the highest in its 51-year history.

In November Continental's striking pilots finally conceded defeat, and last week a US bankruptcy court approved Continental's plan of reorganisation finally clearing the way for it to emerge from Chapter 11.

Despite Mr Lorenzo's undoubted recent financial success, his "union-bashing" reputation continues to be one of his biggest liabilities. Last year, Texas Air lost a $1bn bid for troubled Trans World Airlines which was eventually acquired by Mr Carl Icahn, the Wall Street financier and corporate raider. Shortly afterwards, Mr Lorenzo lost out to People Express in another unsuccessful bid for Frontier Airlines, a regional carrier. In both cases, union opposition was a key factor in Mr Lorenzo's defeat.

Now Mr Lorenzo has agreed to acquire one of the most heavily unionised US air carriers. It looks like an explosive mix.

FMC acts to bolster takeover defences

By Our Financial Staff

SHARES in FMC, the Chicago-based industrial conglomerate, rose sharply yesterday in response to a $1.7bn recapitalisation plan which reduces public ownership and strengthens the company's anti-takeover defences.

FMC, which produces chemicals, defence and oilfield equipment, will give shareholders $70 in cash and one new common share for each share currently held.

However, members of the management and employee benefit plans will receive four new shares instead of the cash distribution.

This will boost shares outstanding from 26.8m to 36.2m but reduce public ownership from 81 per cent to 60. The stake of internal holders will rise from 12 per cent to about 40. In mid-morning trading yesterday, FMC's shares were up $25⅜ to $88⅜.

The company said it planned to raise $1.3bn in bank debt and issue $400m in subordinated debt to finance the plan.

FMC also plans a poison-pill anti-takeover move, giving shareholders rights which would make the company prohibitively expensive for a hostile bidder.

Mr Robert Malott, chairman and chief executive, said the company was not aware of any large accumulations of its stock, but the right plan would "protect shareholders from wolves in sheep's clothing."

The recapitalisation will essentially reverse the current debt/equity ratio. However, Mr Malott said the increased leverage created an opportunity for shareholders to earn higher returns.

FMC made a net loss of $126.3m in 1984 after a $167m reserve for estimated losses from the sale of businesses. Mr Malott said the company had recently considered several restructuring alternatives aimed at increasing shareholder value.

Cartel Office rejects VEW expansion plans

BY RUPERT CORNWELL IN BONN

THE WEST GERMAN Economics Ministry has killed off the hopes of Vereinigten Elektrizitätswerke Westfalen (VEW) of increasing its stake in Ruhrkohle AG, the country's largest coal producer through the purchase of a French energy holding company.

The ministry yesterday rejected VEW's appeal against a ruling by the Federal Cartel Office in Berlin that barred it from taking control of Sidechar SA of Paris.

Sidechar already owned 8.25 per cent of Ruhrkohle, a stake which, added to the 22 per cent VEW previously held, would have lifted VEW's holding to around 30 per cent.

The ministry said that what advantages there were in the deal were insufficient to make up for the threat it posed to competition. VEW now has a last theoretical option of trying to overturn the latest ruling in the Berlin courts, but that seems unlikely.

Last night VEW would not say how much it was ready to pay for Sidechar. The French company is owned by, among others, the Usinor and Sacilor steel groups and the coal utility Charbonnages de France.

Amax to sell tungsten interests

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

AMAX, the US mining group which is disposing of "non-core" assets as part of a restructuring programme, is to sell its tungsten interests for about C$80m (US$43m) to Canada Tungsten Mining, in which it has a 57 per cent stake.

The assets include rights to the Hemerdon mining property in the UK, near Plymouth, a Canadian mine in the Northwest Territories, a long-term leasehold interest in Amax's ammonium paratungstate plant in Fort Madison, Iowa, and the company's tungsten stocks.

After the acquisitions Canada Tungsten will be responsible for marketing its products. At present it has a sales agreement with Amax. The Canadian company, in which Dome Mines has a 20 per cent stake, has as its main asset a tungsten mine in the Northwest Territories.

Canada Tungsten is to finance the acquisitions from Amax through an issue of common shares and a maximum of C$12m cash. The company also intends to make a private placement of 4.5m warrants at C$8 each, comprising one share and a purchase warrant for half a share.

RELAXATION OF RESERVE POLICY SIGNALS EASING OF DEBT CRISIS

Deutsche Bank unit turns the corner

BY JONATHAN CARR IN LUXEMBOURG

THE LUXEMBOURG subsidiary of Deutsche Bank, West Germany's biggest bank, has implicitly sent out some good news about the international debt crisis. As usual, the bank's executive publicly warned that the crisis was far from over, as they presented the preliminary results for 1985.

But at the same time they announced that Deutsche Bank Compagnie Financière Luxembourg made an after-tax profit last year of DM 36.3m ($15.5m).

The sum is modest – but it is the first time since 1981 that the bank has shown a net profit in its accounts. In 1982 the Mexican emergency heralded a new, still more serious, turn in the debt problem, and the Deutsche, like many other banks in Luxembourg, began ploughing all available operating earnings into loan loss reserves.

Now Deutsche has eased its stance slightly. From operating earnings virtually unchanged last year at DM 300m, "only" about DM 235m is being added for provision against lending risk.

This brings the total provision built up over the years to a total of DM 1.7bn – a buffer against debt shocks which looks ever more adequate as the US currency drops, cutting the volume of the bank's dollar credit exposure in terms of D-Marks of Luxembourg francs.

Even with this improvement in the position of its Luxembourg subsidiary, however, the parent bank – Deutsche Bank AG – will still receive no dividend payment. The entire net profit is being used to strengthen the Luxembourg bank's open reserves.

Nor is it yet clear how many of the German-origin banks, which make up by far the biggest single contingent of credit institutes in Luxembourg, will also declare a profit.

Last month Dresdner Bank's Luxembourg subsidiary announced it was again putting all its operating earnings (DM 280m in 1985) into risk provision.

However, the Deutsche's action indicates, as one executive of the bank put it, that the debt problem is no longer sending so much "a red for danger signal as flashing a warning amber." That is good news, not least for the Luxembourg tax authorities, who have long shown understanding for the banks' need to build loan loss reserves and have not pressed demands for revenue.

That favourable tax treatment is clearly one reason why the banks remain in the Grand Duchy. Another is Luxembourg's tight banking secrecy rules, which have helped the banks boost their lucrative private customer business in the last few years.

Mr Ulrich Weiss, chairman of Deutsche Bank Luxembourg's administrative board, stressed that his bank saw no reason to reconsider its position in the Grand Duchy – let alone to move out.

Some question marks remain, however. For one thing there is the decline in the traditional Eurocredit business because of the debt problem, and the fierce battle at historically low interest margins for the relatively few top-ranking customers who remain.

This is partly reflected in Deutsche Bank Luxembourg's balance sheet with total assets falling in 1985 by nearly 16 per cent to DM 26.2bn and credit volume by almost 20 per cent to DM 20.9bn. The fall in the dollar is responsible for only about half of this decline.

Generally, Euro-business is booming in the use of new financial instruments such as Revolving Underwriting Facilities and Note Issuing Facilities. But the Deutsche displayed marked caution towards several of these innovations and favoured efforts by supervisory authorities to control them.

The key condition, the bank stressed, was that the same control measures be taken in each country, so that international competition among the banks would not be distorted.

Finally, West Germany has recently decided to cut minimum reserve requirements under which banks have to deposit funds interest free with the Bundesbank. It was these requirements which caused the German banks to start operations in Luxembourg, where no such rules exist.

Sulzer confirms return to profit

By Our Zurich Correspondent

SULZER Brothers, the Swiss engineering group, has confirmed a return to profits last year after consolidated losses of SFr 102m ($62m) in 1983 and SFr 18m in 1984.

The Winterthur-based concern, which announced in December that it expected "at least a balanced profit-and-loss account," now says that both the parent company and the group as a whole should be back in the black. It stresses, however, that prices remained unsatisfactory during 1985.

Group turnover rose by 7 per cent to SFr 4.5bn last year, while total new-order value improved by 4 per cent to SFr 4.8bn. In the case of the parent company, orders were up by as much as 16 per cent over the year to SFr 2.2bn of this total, 1985 sales having increased by 10 per cent to a share of SFr 2.3bn.

● Motor-Columbus, the Swiss civil engineering concern, has set up a Zurich-based joint-venture company with the Enator group of Sweden.

Enator is a business and data-processing consultancy with 400 employees and activities throughout Europe.

The new company, Enator Columbus, will offer management advice in the planning, introduction and use of new information and communication technology. Motor-Columbus, already active in this field, sees the co-operation with the Swedish group as opening up new market segments.

● *Consolidated sales of the Swiss-owned Sika group, a leading international producer in the building chemicals sector, rose by 7 per cent last year to a record SFr 715m ($369m).*

Cashflow and net earnings should have grown by "at least this percentage," according to the parent company, Sika Finanz. In calendar 1984, these figures had risen to SFr 41.2m and SFr 17.4m, respectively.

A similar expansion rate is expected for the current year.

Australian licence for UBS

BY JOHN WICKS IN ZURICH

UNION Bank of Switzerland (UBS) based in Zurich, has been licensed to open a merchant bank in Australia. Although UBS already operates there, particularly in project financing, it has been limited to a representative office in Sydney.

At the same time, Swiss Bank Corporation yesterday disclosed that its London subsidiary, SBC International, had received permission to open a representative office in Melbourne. Apart from its own representative offices in Sydney and Melbourne, the Basle-based banking group has run SBC Australia as a merchant bank since 1971 and last year set up SBC Fund Management to manage an investment fund.

The merchant-bank licence for UBS *could ease the situation* for Swiss operations of Grindlay's Bank. Since this passed into Australian ownership, the Swiss Banking Commission has delayed a definitive renewal of its banking licence in Switzerland, although activities have been permitted to continue.

A commission spokesman yesterday indicated that the status of Grindlay's in Switzerland should now be regularised. However, he stressed that Australia had still not granted a full banking licence to a Swiss bank.

The Swiss authorities, who were indignant when Swiss banks were not among those foreign institutes to receive one of the 16 full banking licences granted by the Canberra Government a year ago, have told Australia they hope Swiss banks will be considered in further grants.

INTL. COMPANIES & FINANCE

Kenneth Gooding reports on an improving US trucks venture

Volvo White wipes the slate clean

VOLVO'S US truck venture has gone much better than expected, says Mr Sten Langenius, president of the Swedish group's truck business.

In 1981 Volvo paid $75m for the assets of the bankrupt White Motor, including three factories, and calculated it would cost another $75m to get the organisation back into shape.

Mr Langenius says that since February 1984 the business, now renamed Volvo White, has been profitable.

Last year Volvo White increased its share of the US heavy truck market (over 16 tonnes gross weight) by more than one percentage point from 6.7 to 8.4 per cent with deliveries up from 10,800 to 13,200 and "the level of profitability was satisfactory," according to Mr Langenius.

Volvo White reported a net profit of $30m for 1984 following a $25m loss for the previous year. Mr Langenius says that the subsidiary has now reached the point where it has recouped all the $60m losses incurred since 1981.

However, "we still have a long way to go before we are sure of our ground in that very competitive market," he adds.

Mr Langenius insists that Volvo needs to be represented in the US heavy truck market, which is about the same size as that in Western Europe, because it must have volume to cover the cost of its commitment to vertical integration. The company believes it must produce all the key elements in a truck's driveline (engine, gearbox, axles) "because that makes for a better, more effective truck."

Mr Langenius suggests: "There is no way an integrated producer can be viable without a presence both in the US and Europe to spread the development costs over bigger volumes of output."

Research and development costs are accelerating. Volvo Truck Corporation spent Skr 800m ($109m) in 1983, Skr 958m in 1984 and Skr 1.1bn last year. Mr Langenius estimates that in 1986 the bill will rise by another Skr 50m to Skr 75m.

Volvo's philosophy is to produce all its transmissions, engines and axles in Sweden while assembling a large number of trucks elsewhere.

Currently the Volvo diesel engine factories are working seven days a week on two shifts and that way recover the heavy investment necessary. If the company is to develop and produce its own power units.

While production of the key truck components cannot be fragmented and spread around the world, it makes economic sense to assemble vehicles in other countries because, among other things, there are savings to be made in transport costs. Only one third of Volvo's trucks are assembled in Sweden.

In the US Volvo is not trying to force its integrated driveline philosophy on unreceptive customers (although it did sell 2,600 Swedish-built Volvo trucks in the States last year).

White trucks, and the Autocar vehicles which Volvo White also produces in the States, are still sold with engines, transmissions and axles from independent suppliers — as is the case with the vast majority of US heavy trucks.

However, some White trucks with Volvo engines installed are already operating on trial in some big US fleets. Mr Langenius says, although that is a long-term project, all future White trucks will be designed to incorporate key Volvo components.

Volvo delivered about 42,000 trucks world-wide last year, slightly down on the 42,000 for 1984.

Mr Langenius says that pre-tax income of the Volvo Truck Corporation last year did not reach the same level as in 1984, when it was Skr950m, because of the cost of introducing the new FL truck models which account for about half Volvo's truck range.

Volvo "could do a little better" financially in 1986, Mr Langenius believes but he points out that "price competition is still very bad, particularly in the US."

Although non-Communist world demand for heavy trucks—over 16 tonnes gross weight and a sector which accounts for eight out of ten Volvo truck sales — increased by about 3 per cent last year to more than 400,000, the industry had the capacity to produce 700,000 vehicles. So it continued to be plagued by excess capacity and severe price competition.

Volvo improved its share of the world market from 8.9 to 9.2 per cent, claims Mr Langenius, and is hoping for 9.6 per cent this year when demand is expected to ease back to 390,000.

This suggests Volvo will produce about 41,400 trucks of 16 tonnes and over in 1986. In the 7-to-16-tonnes sector, Volvo wants to boost sales with the help of the new FL vehicles, from 7,000 to over 10,000 a year.

Volvo forecasts that in 1986 the West European heavy truck market should be about 120,000, the same as last year, but that US demand might fall from 151,000 to 127,000.

The rest of the world, where sales reached 156,000 last year, is likely to account for 127,000 heavy trucks in 1986.

Included in the rest of the world total are sales in the Middle East, which reached 70,000 in 1982, fell to 16,000 last year and are expected to remain at about the same level in 1986.

Volvo trucks are assembled in two factories in Iraq and the company's ability to do barter deals with the help of a sister Volvo subsidiary enabled it to deliver 3,000 trucks to the Middle East in 1985. That compares with the 12,000 sold as recently as 1982.

Mr Langenius says the Truck Corporation increased its shareholding in Volvo of Brazil last year and it is now a subsidiary. The Brazilian factory at Curitiba, set up in 1980, delivered about 7,000 trucks last year and every fourth heavy truck sold in Brazil is a Volvo.

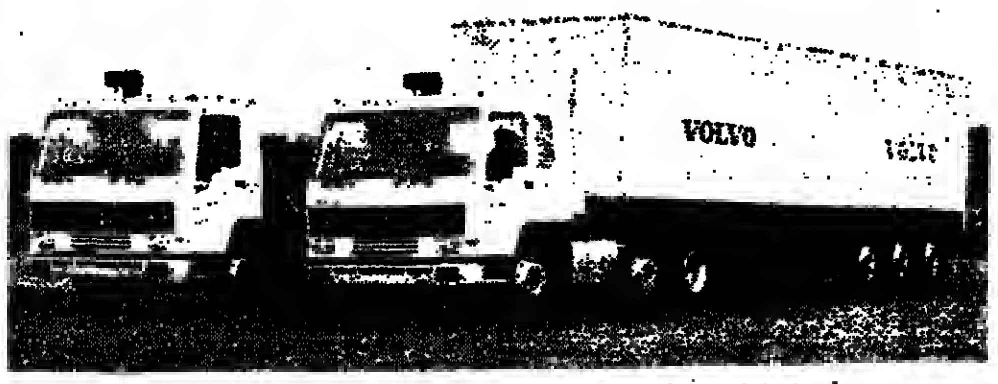
Volvo claims that it had a 14.4 per cent share of West European heavy truck sales last year, putting it behind only Daimler-Benz of West Germany — with 20.3 per cent — and ahead of Scania, 12.4 per cent, Renault, 10.8 per cent, Iveco (the Fiat subsidiary) 9.4 per cent and Daf, 8.0 per cent.

Mr Langenius says that efforts to build a reasonable dealer network in West Germany are now beginning to show signs of paying off and Volvo sold more than 1,000 trucks in that country last year—a record.

He suggests that the European producers have the capacity to produce 100,000 more heavy trucks than they need and the excess capacity is spread through the UK, Germany, France, Italy and Spain. "We will have to live with it for a very long time.

"Eventually bits of excess capacity will be taken out. Manufacturers are considering what might be done—but the path is very, very difficult. The restructuring of the European industry will be a very difficult process."

Mr Langenius says Volvo is not involved in any serious negotiations with any other manufacturer in Europe. But if Volvo did take over another producer it would be to sell more Volvo trucks — not those with any other badge on them.



Two of Volvo White's new Intercooler range of heavy duty trucks

INTL. COMPANIES & FINANCE

Cloudy outlook for Mexican group

The Monterrey Group survived Mexico's financial collapse in 1982-84 but now faces a new set of problems — a fierce credit squeeze, higher taxes and tough price controls. David Gardner reports on its future plans

MEXICO'S leading private companies have survived — just — the country's financial collapse and consequent recession in 1982-84. But after smartening up their accounts during the premature recovery of 1985 they now face a year of uncertainty.

Nowhere are these concerns better crystallised than in the Monterrey Group, the largest private business concentration in Mexico, which also has the biggest private foreign debt in Latin America, owing nearly $5bn.

The combined effort of the Monterrey Group companies (Alfa, Visa, Vitro and Cydsa), the Mexican Government, and their international bank creditors ensured survival. Now, however, the companies face a new string of problems — chief among them a ferocious credit squeeze, higher taxes, and rigid price controls.

After negative growth in 1983 and 1983, there was a mini-boom in the last quarter of 1984, with GDP increasing at an annualised 7 per cent plus until the middle of last year. This breached the Government's main external and domestic targets, and led to an austerity package in July with a full-blooded deflationary budget for this year, when nil growth is anticipated.

This has been a hard blow for industry in general and the Monterrey Group companies in particular, which are majority-owned by various branches of the Garza and Sada families.

"This is not what we had expected," says Mr Rafael Paez, chief executive of Alfa, Mexico's largest private holding company. "Now we know we'll have to wait."

Alfa, which includes some 120 companies that account for 4 per cent of Mexican exports, was the most spectacular corporate casualty of the 1982 financial crisis and subsequent massive devaluations of the peso. Its foreign debt is $2.6bn, and even now, after more than three years, details of the restructuring package are not complete.

Alfa's core businesses are steel and petrochemicals, complemented by capital goods, synthetic fibres, paper, agribusiness and tourism. The debt rescheduling has been complicated by the obligations being spread in almost equal parts between the steel concern (Hylsa), the holding company, and the rest of the empire.

In essence, the restructuring package will convert $300m of the debt into 30 per cent of Alfa's common stock to be held by the banks and convert a further $50m of the debt into non-interest bearing convertible debentures, with the option for the banks of turning this into a further 15 per cent of equity after 12 years, with the rest to be repaid over 12 years at 10 per cent with five years grace.

The debt-for-equity swap is controversial in this protectively nationalist country which has always been ambivalent about the benefits of foreign investment. The banks have the right to nominate nine members of a new 15-member board, with five from Alfa and one from the Government, which is also a major creditor.

The new formula fudges the issue of control. The nine bank representatives on the board will be Mexicans, selected "by mutual agreement," Alfa executives underline, and unconnected with any of the principal parties to the rescheduling.

Group sales rose by nearly half in the first three quarters of 1985 to pesos 282.3bn. But after financial charges amounting to over a quarter of this, Alfa had a consolidated net loss of pesos 18.5bn, about three times the loss for the same period of 1984.

The losses have been coming down as Alfa has divested companies, cut its administration, and reduced energy costs by a quarter at the Hylsa steel plants which generate about a third of cash flow and 45 per cent of consolidated group income.

Hylsa developed the direct reduction steel technique which is perhaps the shining example of Mexican technology exports. It is, says Mr Peter Hutchison, Alfa's chief corporate planner whose job it was to sell the technology, "a system with low capital outlay, providing the sort of modular growth ideal for LDCs."

After five years, Hylsa has renewed its contract with Kawasaki of Japan, GHH of West Germany, and Dravo Corporation from Pittsburgh for what has been a successful experience in up- and downstream marketing of the process.

Nevertheless, nearly 90 per cent of Hylsa's sales are domestic, and in Mr Hutchison's view, this makes government controls on steel prices the core issue on which the debt rescheduling and possibly the group's future hinges. Steel prices have lagged behind inflation and often bear little relation to the rising cost of inputs.

Mr Hutchison argues that "the restructuring deal depends on Hylsa and that depends on cash-flow projections, which will remain hypothetical until the steel price question is resolved."

Alfa, like the rest of the Monterrey Group companies, is, however, temporarily flush with peso liquidity as a result of the Government's foreign exchange risk fund (known as Ficorca) for private foreign debtors. These peso credit lines, provided against the foreign obligations, currently give companies a premium, and all the Monterrey Group companies' finance managers can make money with the temporary excess cash. This is because Ficorca is pegged to CD (certificates of deposit) rates, while Treasury bills and dollars offer much higher yields.

In Alfa's case the surplus and its investment yield is already earmarked under the restructuring deal. Visa, involved mainly in brewing and soft drinks and which has completed rescheduling of its foreign debt of $1.054bn, has a "surplus" of Pesos 50bn. Cydsa, with a foreign debt of $431m, says its cash-flow is "adequate" while Vitro, which owes $700m abroad, expects a Ficorca-generated cash surplus of Pesos 60bn this year.

Each company is handling its temporary riches with very careful regard to the unprecedented credit restrictions the Government introduced in its July austerity package.

Last year's expansion also coincided with a $2bn drop in oil revenue, which as well as providing 70 per cent of Mexico's foreign exchange delivers 45 per cent of tax receipts. The tax shortfall has forced the Government to re-examine cash-devouring public enterprises, which monopolise credit and the money markets, thereby pushing up interest rates to record highs.

Careful management of the temporary cash surplus is therefore crucial since, with oil prices still falling, few believe the credit restrictions will be lifted in July as planned.

Mr Lazaro de la Garza, Cydsa's finance director, says: "We haven't needed credit so far, but if we had to finance new investment, we couldn't do it."

The prospect of higher taxes and uncertainty over price controls is exercising both Visa and Vitro. Overall beer sales rose some 10 per cent last year, with Visa, which had c... its margins, able comfortably to preserve its 33.7 per cent market share in both 1983 and 1984.

But the beer tax this year will rise at least 10 per cent, and with 44 per cent of the value of each sale already going to the Treasury, Visa is uncertain how much further it can cut its margins.

Soft drinks, paradoxically, saw a 22 per cent volume rise in sales for the industry as a whole, as the Government sought to discourage consumption by keeping the controlled price rise below inflation.

The latter has also affected Vitro, which moved heavily into non-returnable drink containers after 1982 when the trend towards cans was reversed by the post-devaluation cost of imported aluminium.

Vitro is a little oasis for bankers dealing with Mexico, a profitable expand... company with a 12 per cent return on equity. Its conservative borrowing policy meant it could face the 1982 crisis with some equanimity. It is well within its convenants with its foreign creditors. Its debt to equity ratio, for example, is 0.7:1, about 10 times lower than Visa's.

It has nonetheless absorbed many of the same lessons of the crisis as its Monterrey Group peers. The four groups within the group have all, for example, virtually halved inventories and sales credit.

Mr De La Garza of Cydsa says the exchange rate instability of the last four years, has taught them to hang on to markets, even at a loss. With the July austerity package and devaluation (of 16.7 per cent), therefore Cydsa found it immediately had an edge in what had been financially weak markets in South America. Vitro — where exports rose 20 per cent last year for a value of $125m — underlines consistency and marketing, something Mexican companies have not been good at.

This new emphasis on exports is the most positive sign in what promises to be the toughest year of the post-1982 recession and could well be its silver lining for both the Monterrey Group and the country.

Company Notices

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED

Incorporated in the Republic of South Africa
Registered No. 01-00251/06
DIVIDEND NO. 101
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 20th December, 1985 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 6th March, 1986 is 1 rand or 100 cents equals 34.40602p United Kingdom currency. The Gross dividend payable by the United Kingdom Paying Agents is therefore equivalent to 240.8421p. Holders of share warrants to bearer are informed that payment of Dividend No. 101 will be made on or after 7th March, 1986 upon surrender of Coupon No. 101 at the London Bearer Office of Hill Samuel & Company Limited, 45, Beech Street, London EC2P 2LX.

	Amount Payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	240.8421
Less: South African Non-Resident Shareholders' Tax at 15%	36.1263
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	204.7158
Less: United Kingdom Income Tax at 15% on the gross dividend (See notes 1 and 2 below)	36.1263
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	168.5895

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before the payment is required.

BARNATO BROTHERS LTD.
London Secretaries
Mrs. A. Smith
Secretary

99, Bishopsgate,
LONDON EC2M 3XE
24th February, 1986.

NOTES:
(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 240.8421p.
(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the standard rate of 30% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 01/00429/06
NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
DIVIDEND NO. 120

Pursuant to the notice published on 22nd January, 1986 members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents on 7th March, 1986 is 1 rand or 100 cents equals 54.406021d United Kingdom currency. The Gross dividend payable by the United Kingdom Paying Agents is therefore equivalent to 111.8195p per share.

Holders of share warrants to bearer are informed that payment of dividend No. 120 will be made on or after 10th March, 1986 upon surrender of Coupon No. 120 at the London Bearer Office of Hill Samuel & Co. Ltd., 45, Beech Street, London EC2P 2LX.

	Amount Payable per share (U.K. Currency) p
Equivalent in United Kingdom currency of dividend declared	111.8195
Less: South African Non-Resident Shareholders' Tax of 12.97%	14.5030
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	97.3165
Less: United Kingdom Income Tax at 17.03% on the gross dividend (See Notes 1 & 2 below)	19.0428
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	78.2737

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Office and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.

BARNATO BROTHERS LTD.
London Secretaries
A. F. Smith (Mrs.)
Secretary

99, Bishopsgate,
LONDON EC2M 3XE
24th February, 1986.

NOTES:
(1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 111.8195p per share.
(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 17.03% instead of at the standard rate of 30% represents an allowance of credit at the rate of 12.97% in respect of South African Non-Resident Shareholders' Tax.

INTERNATIONAL COMPANIES and FINANCE

AT & T returns to the Euromarket

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

AMERICAN Telephone & Telegraph returned to the Euromarket yesterday for the first time since 1982. It is cashing in on the current vogue for long-dated paper and its 30-year issue met good demand, being increased late in the day from $200m to $300m.

Credit Suisse First Boston and Salomon Brothers are jointly running the books on the issue which bears a coupon of 9 per cent and issue price of 98½ and will be used to refinance earlier, more expensive debt that is being redeemed.

Bankers say the current low level of interest rates has encouraged investor demand for 30-year paper as it carries a slightly better yield than shorter-dated issues and is more volatile in the secondary market. This means there is a better chance of capital gain if interest rates fall further.

But demand throughout the Eurobond market remains very selective and only top quality names can hope to launch such paper successfully. Investors in the Far East were initially more receptive to the AT & T issue than those in Europe. Only late in the day after the Eurobond market picked up on the back of a rally in New York did the increase come through. Shortly afterwards, the paper was being quoted at a discount of 1⅞ points, well within the 2½ per cent fees.

Also launched yesterday through Banque Paribas was a $97.75m 10-year issue for Qantas, which will swap the proceeds and use them to finance aircraft acquisition. The paper is guaranteed by Australia and bears a coupon of 8¾ per cent with an issue price of 100½. It sold very quickly in a market that is on the lookout for top quality sovereign names.

Discounting the fees of 2 per cent the paper was launched at a margin of 25 basis points over US Treasury issues. Despite this narrow margin it traded well within its fees, closing yesterday at less 1½.

By contrast a $100m, five-year issue for Trafalgar House, the UK shipping to construction concern, was moving rather slowly. Here the selectivity of investors came into play. The paper was launched at a generous net margin of 105 points over US Treasury issues, but suffered because Trafalgar House is not well-known to international investors.

By the close the bonds, which carry a 9 per cent coupon and issue price of par, were trading just within their 1⅞ per cent fees.

Equity-linked issues remain, however, one of the most popular structures with investors in the market today. Renown Incorporated, the Japanese clothing company, proved yet again that this formula can hardly go wrong when it launched a $100m issue through Daiwa Europe.

This deal bears an indicated coupon of 4⅛ per cent and exercise premium of 2½ per cent with final pricing due next Monday. As so often happens the paper shot ahead and finished at 104½, well above the indicated price of par.

German bond markets were very strong yesterday afternoon, spurred by the positive trend in New York as well as the weakness of the dollar. In the domestic market yields on five year Pfandbriefe, or medium-term bank notes, fell below 6 per cent. Bankers say that the trend on Wall Street has awakened hopes of further interest rate cuts in Germany, though some investors have now become suspicious that the fall of the dollar, which yesterday fell below DM 2.30, may have been overdone.

A DM 200m issue for the Asian Development Bank was well-received despite a coupon of just 6⅞ per cent. Other terms of the bond, which is led by Deutsche Bank, include a maturity of 10 years and issue price of 99½. Also well-received was another Deutsche Bank-led issue for Wella, the hair-care and cosmetics concern.

Wella is raising DM 130m through a 10-year equity warrant issue carrying an indicated coupon of 2½ per cent. Each DM 5,000 bond will carry warrants entitling the holder to purchase six Wella shares at a price of DM 720 compared with yesterday's closing price of DM 745. As with many similar issues in the past, the bonds immediately shot to a premium, trading at around 105½ compared with the indicated issue price of par.

In other currency sectors American Medical, the US hospital company which operates the Harley Street Clinic in London, launched a £50m, 25-year bulldog issue through Barclays Merchant Bank. Proceeds of the issue, which was launched on an offer for sale basis, will be used to finance further expansion in the UK.

The bonds were given a coupon of 9½ per cent and issue price of 88.255 to give a yield to redemption of 11.293, which is 105 basis points — or a guinea in old money terms — over the equivalent 13½ per cent gilt.

Canadian dollar bonds have recovered as pressure on the currency abated and yesterday saw yet another new issue. UBS (Securities) launched a C$100m, five-year, 10 per cent issue at 100⅞ per cent for Scotia Mortgage Corporation, a subsidiary of Bank of Nova Scotia which is guaranteeing the deal.

NERSA, the European nuclear reactor company, is raising FFr 500m through a 10-year, 9½ per cent issue priced at 100⅛ and led by Credit Commercial de France. The deal met good demand and traded at a narrow ¼ per cent discount.

Banque Paribas launched an issue of 50,000 warrants to buy into the Ecu 250m, 8½ per cent World Bank issue due 1995. The warrants, which carry a six-month exercise period, were launched at Ecu 15. But warrants are notoriously volatile and hard to value. The Ecu market was strong yesterday and the price quickly rose to Ecu 17.50. Prices rose ½ point in the Swiss franc market where the Inter-American Development Bank is due to launch an issue today.

Brussels acts to block bonds in Belgian francs

BY PAUL CHEESERIGHT IN BRUSSELS

THE BELGIAN monetary authorities have moved to head off any further attempts by commercial banks to launch Eurobonds denominated in Belgian currency.

Following a private placement totalling BFr 300m by Banque Nationale de Paris (Luxembourg), launched ten days ago, the Finance Ministry has asked Mr Jacques Santer, Luxembourg's Prime Minister and Finance Minister, for notification of any future attempts by banks in the Grand Duchy to launch Belgian franc issues.

Belgium's opposition to an offshore market in its currency is long-standing and its present action comes amid concern that the BNP issue could be followed by others.

This could upset Belgium's money supply policy and create new opportunities for smaller Belgian investors to evade taxes. The BNP issue carried small BFr 200,000 denominations to attract such investors.

Though a flourishing bond market exists in Luxembourg francs, which are for all practical purposes interchangeable with Belgian currency, the authorities in Brussels clearly feel a need to draw the line strongly on the Eurobond question.

If such a market had been allowed to develop, it could have grown rapidly as there is potential borrowing demand from Luxembourg banks

Japanese life companies set for high-return policies

BY YOKO SHIBATA IN TOKYO

JAPANESE life insurance companies are being allowed, with effect from next October, to launch a new type of policy designed to allow holders to benefit more directly from the returns on funds invested in the financial markets.

The new policies, to be known as variable life policies, will offer a return based on the performance of the companies' premium funds. They will offer a high element of risk, compared to traditional life insurance instruments, though also high potential return.

Variable life insurance is one of the insurance products recommended by the Life Insurance Council, an advisory body to the Finance Minister, which was set up last May to chart the industry's course through the problems brought about by growing foreign competition and against the background of a rapidly ageing Japanese population.

Two types of variable life insurance policy, endowment and whole life, will be introduced. Life insurance companies offering them will be required to guarantee death benefit payments. They will also have to separate the accounts of premiums received on variable insurance sales from other insurance premium accounts. They will be allowed to invest the variable insurance premium income in high risk, high return instruments such as equities.

Morgan Stanley to sell third of initial offer abroad

By Alexander Nicoll

MORE THAN one-third of the initial public share offering for Morgan Stanley, the Wall Street investment bank, is to be distributed and underwritten internationally in an operation led by Morgan Stanley International, its London arm.

Of the 4.5m shares to be issued, representing about 20 per cent of the company and raising a total of about $200m, 1.6m will be sold abroad. A group of 27 co-managers will underwrite about 80 per cent of the international tranche, with some 50 institutions underwriting the remainder.

The price is expected to be set late this month or early in April. As an initial offering by a US company, the sale is unusual for the international equity market because it has no indicated price. Some calculations in the prospectus assume a price of about $46 a share.

Another consequence of the issue's being an initial offering is that commissions will be higher than on most Euro-equity sales. An indicated total of between 4¾ and 5¼ per cent, will be identical to those on the tranche to be sold in the US, where commissions on initial offerings are typically at or even above this level.

To help ensure international distribubution, the US part of the sale will be confined to US houses. Foreign securities firms will participate in the international tranche even if they have offices in New York.

Strong support for $300m Algerian credit

By Our Euromarkets Correspondent

IBJ INTERNATIONAL yesterday won as expected the mandate to raise a $300m credit for the state-owned Banque Algerienne du Developpmeot.

The deal, which is fully transferable, carries an interest margin of ⅜ per cent over the London interbank offered rate for Eurodollars and has a ten-year life. Repayments will start after a grace period of five years.

Japanese banks expressed strong support for an Algerian credit on these terms after European, US and Middle Eastern hanks haulked at underwriting a larger, $500m operation.

Already, 10 large Japanese hanks have indicated a readiness to participate in the new operation, but the credit will be offered to banks of other nationalities as well when it enters syndication in a few days' time.

Record trading on the CME

By Our Euromarkets Staff

UNCERTAINTY ON the foreign exchange markets last week produced record trading on the Chicago Mercantile Exchange and in its currency futures and options contracts.

On Wednesday Mr Paul Volcker, chairman of the Federal Reserve Board, made remarks about tha dollar to Congress which were interpreted in the markets as conflicting with testimony being given at the same time by Mr James Baker, the Treasury Secretary.

The CME'a futures and options contracts on the D-Mark and sterling all set records, with total currency futures volume at 161,780 contracts against the previous peak of 128,354, and currency options at 45,214. The exchange's total volums was 418,326 contracts against the former record of 387,514.

DOMESTIC BOND MARKETS

Frankfurt firm

Prices of public authority bonds closed sharply higher in Frankfurt after s nervous bourse session in which turnover was somewhat limited by operators' reluctance to open large new positions at the higher levels.

The Bundesbank sold DM 108.1m worth of domestic paper after selling DM 89.2m on Friday. The latest 6⅜ per cent federal government loan stock odded 95 pfennigs to close at around 102.10, while its predecessor with the same coupon rose o full point to 102.15.

The Bundesbank announced the cut in yield on new five-year West German federal savings bonds to 5.98 per cent from 6.01 per cent. Agencies

Zurich steady

Swiss franc bonds closed steady in Zurich on high volume largely in response to lower interest rates. Buying interest focused on high-coupon fixed rate honds of foreign bonds with most prices up as much as ½ point.

Foreign convertibles and dual currency bonds were mixed to higher. Domestic bonds closed also higher. Domestic bonds with warrants traded narrowly mixed in line with the stock market.

Amsterdam bourse sticks by the floor specialist

Baron van Ittersum questions the LSE's trading system as it heads for its Big Bang restructuring. Barry Riley reports

HAS THE London Stock Exchange chosen the right system of securities trading as it heads for its Big Bang restructuring later this year? Baron van Ittersum, chairman of the Amsterdam Stock Exchange, has his doubts. And members of the Amsterdam market are poised to pick up international clients who might not find the new London set-up to their liking.

"The model that London is choosing is in effect the model that has been very successful in the Eurobond market, tha professional market," says Baron van Ittersum. "But whether that will prove to be the market that is more successful for investors in the future, I'm not so sure."

He points out that the Amsterdam market will remain firmly based upon a floor trading system, whereby all orders must pass through specialist market makers (the specialist is called a *hoekman*). "We feel that it is still the most economically efficient market you can have, for the benefit of both investors and brokers."

Baron van Ittersum says that the Dutch system, which is rather similar to the system of floor specialists within the New York Stock Exchange, ensures that investors know that their orders will be exposed to all other orders in the market. "They really will be able to get the best deals, the small as well as the big ones."

Baron van Ittersum describes the new London market as a "dealers' market" where all the participants put their deals in and choose their own counterparties whatever price is being made. It is modelled on the US Nasdaq over-the-counter market, and is quite different from the system used on the NYSE.

He sees no problems for London, so long as the markets continue to go up. But a bear market might prove to be a different matter.

"The real test of a market organisation comes when the markets go down and become difficult. Here we feel that the case of the dealers' market has certainly not proved to be more orderly and more forthcoming the traditional sort of market we have here. I think all tha evidence shows that in the end, the central market is more orderly and mor forthcoming to investors than o dealers' market."

But he admits that this approach is not wholeheartedly supported by some of the biggest players on the Amsterdam market. A number of big banks and other institutions are seeking to set np an electronie hlock trading market, largely in response to a threat that local husiness in leading Dutch securities will transfer progressively to London where market makers *are often willing to* take larger positions.

Evasion of Dutch stamp duty is one reason why the business of Dutch institutions has been drifting to London, though greater liquidity is also an ottraction, and one which the Amsterdam market accepts that it must counter.

Baron van Ittersum told members of the Amsterdam Stock Exchange recently that it would be necessary to create without delay a liquid, block trading segment. He added in his New Year message: "It is essential that this market attunes closely to the existing central market, so that it can strengthen rather than weaken it, which latter currently threatens."

But while the Amsterdam exchange reinforces its defences for parts of its domestic market, it is also becoming aggressive in certain of he international sectors. In particular, it is planning to be a significant rival to London as a centre for European time zone trading of US and Japanese stocks.

Last week the exchange announced that three leading Japanese securities houses, Daiwa, Nomura and Yamaichi, will become member firms.

Foreign membership of the Dutch bourse is not new, but it has been limited in the past to a handful of foreign-owned banks. A major new influx is now expected.

Tha two main aims of the Amsterdam exchange are to develop a market in Japanese stocks—quoted in yen—after the close in Tokyo, and to build on its existing local market in US stocks. This is long-established huf is essentially an odd lot business for the benefit of private investors.

The Dutch would like to develop an active market in Amsterdam in US stocks ahead of the New York opening. But *Baron van Ittersum accepts that* this cannot happen until the liquidity of the market is comparable to that in London.

While the spotlight is on the dramatic changes taking place in London, Amsterdam is taking a lower profile route into the global market place. "London is certainly brave, as a stock exchange," Baron van Ittersum observes, "but I would not like to be in the position of Sir Nicholas Goodison."

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on February 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅜ 92	100	104⅝	105⅛	+0⅛	+0⅛	9.33
Amex Credit 10⅞ 90	100	106⅛	107	+0⅛	+0⅛	8.86
Atlan. Richfield 10⅜ 00	250	101	101½	+0⅛	−0⅛	10.07
Australia Com. 11 95	200	112	112½	+1	+1½	9.59
Australia Com. 11¼ 00	100	113¾	114¼	+1	+1¼	9.44
SP Capital 11⅛ 92	150	107¾	108¼	0	+0⅛	9.33
Campbell Soup 10⅛ 95	100	108¾	109¼	+0⅛	+0⅛	9.04
Canada 11½ 90	500	110	110⅜	+0⅛	+0⅛	8.42
Canadian Pac. 10¾ 93	100	105⅞	106⅜	+0⅛	+0⅞	8.54
CEPME 10⅛ 91	100	105½	106	+0⅛	+0⅛	8.78
Citicorp 10 88	200	102	102½	−0⅞	−0⅞	8.91
Citicorp 10 96	200	100⅛	100⅞	—	—	9.90
Citicorp 10¾ 95	200	103	103½	−0⅛	−0⅛	10.06
Credit Lyonnais 8 91	200	100⅜	101⅛	—	—	8.79
Credit National 9⅛ 93	150	100⅞	101⅜	—	—	8.89
Denmark Kgdm. 11¼ 89	100	106⅞	107⅛	+0⅛	0	8.68
Denmark Kgdm. 11½ 90	100	108⅜	109⅜	+0⅛	+0⅛	8.96
Denmark Kgdm. 11½ 92	100	110⅜	111⅛	+0⅛	+0⅛	9.06
EDF 10 95	225	105⅛	105⅝	+0⅛	+1⅛	9.11
EEC 8⅛ 91	150	99⅝	100⅛	—	—	8.66
EEC 9⅝ 90	350	103	103½	+0⅛	+0⅛	8.67
EIB 10⅜ 94	200	106½	107	+0⅛	+0⅛	9.08
EIB 12 95	200	117⅛	117⅝	+1	+1⅛	9.11
Eli Lilly 10⅛ 92	150	107⅛	107⅝	+0⅛	+0⅛	8.89
Equit. Lrd. Rlty. 10⅛ 97	100	104⅛	104⅝	+0⅛	+0⅞	9.86
Export Dev. Cpn. 10 90	100	105	105½	+0⅛	+0⅛	8.47
Fed. Dep. Strs. 10⅛ 95	100	106⅝	107⅛	+1⅛	+2⅛	9.99
Ford Motor Crd. 10⅛ 91	150	104⅝	105⅛	+0⅛	+0⅛	9.32
Ford Motor Crd. 11½ 90	100	106⅞	107⅜	+0⅛	+0⅛	9.15
Ford Motor Crd. 12 95	100	111⅛	111⅞	+0⅛	+0⅛	9.98
Gen. El. Cred. 10⅛ 00	200	103⅞	104⅜	+0⅛	0	9.69
GMAC 10⅛ 89	200	104⅛	104⅝	+0⅛	0	8.56
GMAC 10⅛ 92	250	104½	105	+0½	+0⅛	9.25
IADB 9⅞ 96	200	104⅞	105⅜	+1⅛	+1⅛	9.05
IADB 10⅞ 95	150	108⅜	108⅞	+1⅛	+1⅛	9.08
Kellogg Co. 10⅞ 90	100	105	105½	−0½	+0⅛	9.20
Kellogg Co. 11⅛ 92	100	107½	108	+0⅛	−0⅛	9.40
Nippon Cr. Sk. 10⅛ 95	150	108½	109	+1⅛	+1⅛	9.21
Pillsbury Co. 10⅛ 93	100	104⅜	104⅞	+0⅛	+1	9.36
Proct. & G. 'A' 9⅞ 92	190	102¾	103¼	+0⅛	−0⅛	9.28
Pru Realty S. 12⅛ 95	546	112⅝	113⅛	+0⅛	+0⅛	9.88
Qantas Airways 10¾ 95	140	108½	109	+1⅛	+1⅛	8.93
Quebec Hydro 11½ 92	100	109⅞	110⅜	+0⅛	+0⅛	9.41
Queensld. Gvt. 10¾ 95	100	106½	107	+1⅛	+1⅛	9.14
Ralston Purina 11¾ 95	150	112	112½	+0⅛	+1⅛	9.66
Saab Scania 8⅝ 91	125	101⅛	101⅝	—	—	8.14
Saskatchewan 10¾ 92	100	108⅜	108⅞	+0⅛	+0⅛	8.87
Scandinavia Air 10⅛ 96	150	103⅝	104⅛	+0⅛	+0⅛	9.48
State Bk. O. Au. 8⅝ 93	100	100⅛	100⅝	—	—	9.17
Statoil 10 90	170	104¾	105¼	+0⅛	+0⅛	8.59
S. Wales Trsy. 11⅛ 90	150	109⅜	109⅞	+0⅛	+0⅛	8.89
Swed. Exp. Cred. 10 92	100	105⅝	106⅛	+0½	+0⅛	8.73
Sweden 10⅛ 92	250	106½	107	+0⅛	+0⅛	8.87
Sweden Kgdm. 10⅞ 90	200	107½	108	+0⅛	+0⅛	8.59
Sweden Kgdm. 11½ 89	200	108⅞	109⅜	+0⅛	−0⅛	8.62
Sweden Kgdm. 11¾ 94	100	112⅜	112⅞	+0⅛	+0⅛	9.56
Tenneco Cpn. 10¾ 95	150	104⅞	105⅜	−0⅛	−0⅛	9.87
Utd. Tech. Fin. 10⅛ 95	100	107	107½	+0⅛	+1	9.42
Victorian Rep. 11⅛ 92	150	111	111½	+0⅛	+0⅞	9.14
World Bank 9¾ 2016	300	103⅞	104⅜	—	—	9.34
World Bank 10⅛ 95	300	108⅜	108⅞	+0⅞	+1⅛	9.75

Average price changes... On day +0½ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	106⅞	107⅜	+0⅛	+0⅛	5.94
Copenhagen 7⅛ 95	150	102⅞	103½	+0⅛	0	6.88
Credit National 8⅛ 94	200	108⅝	109⅛	0	+0½	6.63
Dow Chemical 5¾ 95	300	102⅝	103⅛	0	+0⅛	6.32
EIB 6⅞ 95	300	102⅞	103⅜	+0⅛	+0⅛	6.43
EIB 7¾ 94	300	104⅜	104⅞	+0⅛	+0⅛	6.56
Emhart Cpn. 6¾ 95	175	99	99½	+0⅛	+0⅛	6.85
ESCOM 8 92	150	98⅝	99⅛	−0⅛	−0⅛	8.26
Ex. Im. Bk. Korea 7⅝ 90	100	101¾	102¼	+0½	+1	7.03
Ferrovie Dello St. 8 91	100	105⅝	106	+0⅛	+0⅛	6.65
Finland Republic 7 92	200	102⅝	103⅛	0	−0⅛	6.37
Gould Int. Fin. 7⅝ 91	100	104⅝	105⅛	+0⅛	+0⅛	6.48
Ireland 8⅛ 92	150	105⅞	106½	+0⅛	0	6.86
I/S Elsam 6¾ 93	125	97⅞	98⅜	+0⅛	+0⅛	7.09
Japan Fin. Cpn. 7½ 91	100	105⅛	105⅝	+0⅛	+0¼	6.36
Mitsbshi. M. 3¼ 89 WW	100	105	105⅝	−0⅛	−1	1.66
Mtsbshi. M. 3¼ 89 XW	100	92½	93	−0½	0	5.30
Quebec-Hydro 7¾ 95	200	104½	105	+0⅛	+0⅛	6.44
Renfe 7⅞ 90	100	104⅞	105⅜	−0⅛	+0⅛	6.88
Soc. C. Nuclear 7¾ 95	150	102½	103½	+0⅛	+0⅛	6.82
Soc. C. Nuclear 8 91	100	104⅞	105⅜	−0⅛	−0⅛	6.82
S. African Tran. 7⅝ 92	100	92⅝	93	+0⅛	+0⅛	9.12
World Bank 7 95	600	103½	104⅛	+0⅛	+0½	6.44

Average price changes... On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon. Cap. Cpn. 5⅝ 94	130	*†101½	101¾	−0⅛	0	5.14
Br. Land. Comm. 6½ 99	75	†105½	106	+0⅛	+0⅛	5.87
Chrysler 5⅞ 96	160	†100⅞	101⅜	—	—	5.68
Council of Europe 6 92	120	†104	104½	+0⅛	−0⅛	5.23
Creditanstalt 5½ 94	100	†101½	101¾	0	+0⅛	5.26
Deutsche Bk. 5⅝ 96	100	†104¾	105	0	+0⅛	4.89
EIB 5⅞ 94	120	†103	103½	−0⅛	0	5.39
Gen. Occidentale 4½ 94	60	†107½	109	−0⅛	+1¼	3.40
Glendale F. S&L 5⅞ 95	100	†99	99½	+0⅛	+0⅛	5.00
Ind. F. Finland 5⅞ 94	40	*†102	102½	+0⅛	+0⅛	5.44
Int. Am. Dv. Bk. 6⅛ 94	120	*†104	104½	−0⅛	+0½	5.51
N. Zealand Steel 5⅞ 96	70	†101	101½	+0⅛	+0⅛	5.59
Oberos. Kftwk. 5⅝ 95	100	*†102¾	103	0	+0⅛	4.97
Olivetti Intl. 5½ 95	100	†102¾	103	0	0	5.10
Pepsico 5⅛ 95	130	†103½	104	−0⅛	+0⅛	4.73
Phibro-Salomon 5⅛ 97	110	†100	100½	—	—	5.08
Ralston Purina 5⅝ 94	125	†102½	103	−0⅛	+0⅛	4.97
Tokyo Elec. Pr. 5½ 93	120	†102¾	103	+0⅛	−0⅛	4.99
Tokyo Metropolis 5⅛ 94	90	†102¾	103	0	−0⅛	4.84
World Bank 5⅝ 94	150	†104¼	104¾	+0⅛	+0½	5.10

Average price changes... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Eurofima 6⅛ 93	20	100⅞	101⅜	—	—	6.41
Swed. Exp. Crd. 8⅛ 90	10	100⅜	100⅞	—	—	6.58
Syntex 6⅛ 93	20	98⅝	99⅛	—	—	6.84
Walt Disney 6⅛ 98	10	100⅝	101½	—	—	6.51
Westinghouse 6⅛ 96	15	98½	99	—	—	6.82

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅞ 90 A$	50	93⅞	94⅞	+0⅛	+1½	14.34
Creditanstalt 12⅞ 90 A$	50	97⅝	98	−0⅛	0	13.38
Pepsico C. R. 13 90 A$	50	100⅝	101⅛	+0⅛	+0⅛	12.99
Swed. Ex. Cr. 13 88 A$	40	97⅞	98⅜	−0⅛	−0⅛	14.04
Amex 10⅛ 90 C$	50	102	102½	−0⅛	+0⅛	10.07
Canad. Pac. 10¾ 90 C$	75	102⅞	103⅜	+0⅛	+1⅛	9.47
CISC 10⅛ 90 C$	75	†101½	102	+0⅛	+1⅛	10.22
Genstar Fin. 11¾ 96 C$	75	105⅝	106⅛	+0⅛	+1⅛	10.70
Montreal 11½ 95 C$	75	104	104½	+0⅛	+1⅛	10.72
Ryl. Trustco 10⅛ 90 C$	75	99⅜	99⅞	−0⅛	+2⅛	10.47
Sears Acc. 10⅞ 92 C$	75	†102⅜	102⅞	+0⅞	+2	10.06
Coca-Cola F. 17 90 NZ$	75	103⅝	105⅛	−0⅛	+0⅛	15.46
Nordic I. Bk. 18 88 NZ$	50	98½	99½	−0⅛	−0⅛	18.40
Unilever Cp. 17½ 89 NZ$	50	98⅝	99⅝	—	—	17.91
Copnhagn. C. 8 95 Ecu	40	99⅝	100⅛	+0⅛	+0⅛	8.97
Eutelsat 8 93 Ecu	50	99⅞	100⅜	+0⅛	+0⅛	8.95
Walt Disney 8⅞ 94 Ecu	63	100⅜	100⅞	+0⅛	+0⅛	8.86
Honda WW 3⅞ 90 Fl	100	105⅝	106⅛	+0⅛	+0⅛	2.44
Honda XW 3⅞ 90 Fl	100	90½	91	−0⅛	−0⅛	6.53
Thyssen 7⅛ 90 Fl	60	102½	103	0	0	6.61
Wereldhave 7½ 90 Fl	75	102⅝	103⅛	+0⅛	+0⅛	6.71
Wessanen 6⅞ 90 Fl	60	100⅜	100⅞	−0⅛	−0⅛	6.57
Remy Mrtn. 10⅞ 90 FFr	250	103	103½	+0⅛	+1⅛	9.93
Amev 11 93 £	90	98⅜	98⅞	+0⅛	+0⅛	11.28
Australia Com. 11 92 £	40	100⅜	100⅞	+1	+1⅛	10.87
EIB 11⅛ 93 £	90	101¾	102¼	+0⅛	+1	10.89
GMAC UK F. 10½ 90 £	30	98⅜	98⅞	+0⅛	+0⅛	10.65
Imp. Ch. Ind. 11¾ 95 £	75	99⅜	99⅞	+0⅛	+0⅞	11.30
Imp. Ch. Ind. 10⅞ 92 £	75	97⅝	98⅛	+0⅛	+1⅛	11.18
McDonalds 10⅞ 90 £	40	100⅜	100⅞	+0⅛	+0⅛	10.72
Mtsbshi. F. HK 11 90 £	50	98⅞	99⅜	+0⅛	+0⅛	11.22
NSW Trsry. 10⅝ 92 £	90	97	97½	+0⅛	+1⅛	11.20
Rank Xerox 11 92 £	40	98⅞	99⅜	+0⅞	+1	11.34
Royal Ind. 10¾ 92 £	90	97⅛	97⅝	+0⅛	+1⅞	11.32
J. Sainsbury 10⅞ 93 £	60	97½	98	+0⅛	+1	11.35
Tricentrol XW 11 92 £	35	†83	83½	−0⅛	−2⅛	15.28
Trthse. Forte 11½ 90 £	50	98¾	99¼	+0⅛	+0⅞	11.47
World Bank 11¼ 95 £	100	102⅜	102⅞	+0⅛	+1⅛	10.78
COE 8⅞ 95 LFr	600	98⅝	99⅝	−0⅛	+0⅛	8.98
N. Lux. Al. 10¼ 92 LFr	600	103½	104½	0	0	9.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Abbey Natnl. 0 2000 £	0⅛	99.38	99.43	15/1	11⅛
Anglia Bldg. S. 5 98 £	0⅛	99.79	99.84	14/4	11⅛
Bankers Trust 5 2000	0⅛	99.90	99.98	11/2	8.31
Belgium, Kngdm. of 91	0	99.92	100.00	10/8	8.13
BNP 5⅛ 95	0.05	101.10	101.20	10/1	8.99
Britannia 0 93 £	0⅛	99.79	99.84	8/4	11⅞
CCF 5⅛ 97	0	99.37	99.47	5/4	8.06
Citicorp 5 2005	0⅛	99.13	99.21	25/2	8.29
Citicorp 0 2035	0.225	98.72	98.82	27/1	8.23
Credit Lyonnais 5 2000	0⅛	100.08	100.15	10/1	7.94
EEC 0 90	0⅛	99.80	99.83	8/7	8.06
ENEL 5 2000	0⅛	99.96	100.02	1/3	8⅛
Ireland 5⅛ 97	0⅛	99.98	100.08	28/2	8.44
Lloyds Bank Perp.	0⅛	100.27	100.31	3/6	8⅛
Midland Bk. Perp. 5	0⅛	100.11	100.18	19/6	8⅛
NatWest Perp. A	§0⅛	100.19	100.28	8/7	8.31
NatWest Perp. B	§0⅛	100.15	100.21	10/2	8⅛
New Zealand 5 2001	0	99.60	99.70	4/8	8.13
Prudential Cpn. 4 95 £	0.1	99.51	99.61	5/3	11.78
R. Bk. Scotland 8 Perp.	0⅛	100.07	100.17	11/6	8.44
R. Bk. Scot. 5⅛ 2005 £	0⅛	99.21	99.31	4/2	11⅛
Societe Generale 5⅛ 97	0⅛	100.01	100.09	18/3	8⅛
United Kingdom 0 92	0	100.00	100.09	7/7	8.06
Woodside Fin. 5⅛ 97	0	99.43	99.50	28/7	8.33
Woolwich 0 99 £	0⅛	99.61	99.66	19/2	11.69

Average price changes... On day +0.02 on wk. −0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 90	4/84	1053	165⅝	166⅝	+5⅞	3.00
Comcast 7 2000	12/85	23.87	†110	120	+0½	10.24
Fanuc 3⅝ 98	1/84	7032	203⅝	205⅝	+1½	62.51
Fuji Hvy. Inds. 3 2000	8/85	678	97⅝	98⅝	+1½	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.
Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Banks press Singapore brokers

BY STEVEN BUTLER IN SINGAPORE

THE FAILURE of several broking houses in Singapore appeared closer yesterday as banks began moving to protect their loans to the industry, contributing to a further loss of confidence in the trading system.

One broking firm, Lyall and Evert, did not trade on the exchange yesterday, and Lyall dealers were reported as saying it had been pnt under stock exchange management.

A number of broking bouses bave begun to receive court orders demanding that they produce scrip for secured loans to banks, and banks are expected to begin calling in loans in early March, following the expiry of a three-month moratorium agreed in December.

The moratorium was supposed to allow time for a plan to be worked ont for a longer-term solution to the brokers' prohlems. A crisis was touched off in lata November by the collopse of Pan-Electric Industries. Tba stock market was then closed for three days lo prevent an imminent default on forward share purchase contracts by Pan-Electric touching off a chain of collapses in the industry.

The Monetary Authority of Singapore (MAS) met bankers over the weekend in an effort to calm fears and encourage bankers to continue lending money to the brokers. The MAS, however, offered no new plan, and some bankers expressed enger yesterday at being asked once again to support the system when, after three months, no solution was readily at hand. One banker said that the hanks had already lost money as e result of their cooperation with the MAS.

A revision last week of terms for e S$180m (US$84.4m) lifeboat egreement designed to protect the integrity of the trading system has clarified terms under which firms may dip into the fund, increasing the likelihood that money will be drawn down shortly. However, under the new agreement, firms may not draw on the fund for deals involving trades of suspended shares.

This means almost certain bankruptcy for brokers beavily Involved in Pan Electric-releted shares contracts. Pan-Electric has gone into provisional liquidation, and its shares ore thought to be all but worthless.

A second tier of broking firms is at risk from the knock-on effects of brokerege failures and the general decline of confidence. These firms will suffer from defaults on contracts in other shares, and from the decline in share prices, which has reduced liquidity and made it impossible for some clients to meet their obligations to brokers.

A broker said yesterday that the most recent panic in the Industry was precipitated in part by the entry of Singapore's four largest banks into the broking industry, a move that will draw considerable business from the other 25 brokers. The broking arm of Development Bank of Singapore began trading last week, much earlier than had been expected.

Malaysia opens doors to foreign houses

BY WONG SULONG IN KUALA LUMPUR

THE MAYALSIAN Government has aproved proposals to allow banks and foreign stockbrokers to take equity stakes in Malaysian stockbroking companies.

The proposals were submitted by a committee comprising representatives from the Treasury, banks and Kuala Lumpur Stock Exchange (KLSE). The committee was formed last April to advise the Government on strengthening the broking industry.

Mr Daim Zainuddin, the Finance Minister, said yesterday that those allowed to take equity stakes would be local commercial banks with shareholders' funds, unimpaired by losses, of more than 100m ringgit (S40.8m); Merchant banks with shareholders' funds above 30m ringgit; large domestic investment institutions; and foreign brokers of high international standing.

The maximum size of holding these groups are allowed to take up is still unclear, but it is understood that foreign brokers will be able to take up to 30 per cent, while the banks can take any stake as long as it is approved by Bank Negara.

Mr Daim said there was now a worldwide trend to allow corporations to take part in the stockbroking indusrty and their entry would strengthen the local securities industry in terms of equity base, professionalism and international contacts.

The KLSE welcomed the move and said 42 of the 50 exchange members had agreed to seek outside partners. At least nine of the 42 had already identified their future corporate partners.

Sing Tao share offer to raise HK$102m

BY DAVID DODWELL IN HONG KONG

SING TAO, the Hong Kong-based publishing, printing and property group, yesterday mounted a public offering of 25 per cent of its shares as it sought a Hong Kong listing just eight months after transferring its corporate domicile to Australia.

The offer remains open until Friday. It comprises 48m new shares and 12m existing shares, priced at HK$1.80 a share, and intended to raise a total of HK$102m (US$13m). The offer has been wholly underwritten by Standard Chartered Asia, Sing Tao's financial adviser on the flotation.

More than HK$80m of the cash raised by the flotation is to be used to fund Sing Tao's interest in a prime property and hotel development in Kowloon. Most of the remainder is payable to Cereus, Sing Tao's Australian holding company, which will use the funds to redeem a portion of its outstanding redeemable preference shares.

Miss Sally Aw Sian, chairwoman of Sing Tao and controlling shareholder in Cereus, said yesterday that the Kowloon hotel development provided the main reason for seeking a fresh public listing in Hong Kong.

She forecast profits before extraordinary items of HK$44m for the year to March, equivalent to earnings per share of 22.7 cents.

● Sime Darby Hong Kong, the car and commercial vehicles distributor which is a subsidiary of Sime Darby of Malaysia, yesterday announced unaudited profits after tax of HK$47.5m (US$6m) for the six months to December. This compares with profits of HK$25.3m for the same period in 1984.

Turnover for the six-month period was HK$573m, up 24 per cent. The company has declared an interim dividend of 4 cents.

Sime Darby Hong Kong mounted e disastrous public offer of 25 per cent of its shares in December last year, with applications received for a mere 37 per cent of the HK$193m issue.

Indian control for Metal Box unit

By John Elliott in Calcutta

A Calcutta businessman, who owns a group of companies called Macneill and Magor jointly with an old British tea estate family, has taken control of the lossmaking Indian offshoot of Britain's Metal Box.

This is the latest of a series of share purchases and takeovers by Indian business houses of troubled Calcutta-based British companies. Others have included Dunlop India, and Gramophone company of India, which is an offshoot of Thorn EMI.

An equity-linked venture issue is planned in which Macneill and Magor wil take up the allocation of Metal Box UK, funded by the Rs 40m ($3.25m) working capital it has injected. This will give Macneill and Magor a 10 per cent stake, rednciug the Metal Box UK stake from 40 per cent to 30 per cent while Indian finance institutions and the pnblic will continne to hold 30 per cent each.

The Indian businessman is Mr B. M. Khaitan, wbo joined the long-established Williamson Magor tea company as managing director in 1964, having run his own fertiliser and plywood companies.

In 1974 he formed Macneill and Magor with Mr Richard Magor, wbose Assam lea interests are partly beld by George Williamson & Co and Majuli Tea of London. Macneill and Magor is the biggest tea exporter in India, selling 42,900 lonnes a yeer obroad and employing 55,000 people.

It has diversified inlo engineering, including a 35 per cent bolding in Slandard Batteries, In which Hawker Siddeley's Oldham Batieries of the UK has 15 per cent, and Macnally Bharat Engineering, which has e mining equipment technical collaboration with Babcock International of the UK.

It has also recently bought India Foil of Calcutta, a producer of aluminium foils, from Alcan of Canada, using a route favonred in some of the recent take overs.

In an offshore deal which is not subject to the Indian Government's strict controls on the arrangements and pricing of share transfers, George Williamson in London bonght control of India Foils UK from the British arm of Alcan of Canoda, which had beld 66 per cent of the Indiau company.

Metal Box India has had managerial, product and financial problems for some years, which were worsened by a loss-making diversification inlo bearings three years ago and by an over-reliance on prodnction of traditional metal cans. Some of its major loss makers have since been sold.

With a turnover of Rs 1.6bn a year, it incurred losses of Rs 50m In on 18-month period in 1984-85, down from a Rs 90m deficit the previous year.

TNT boosts profits 52% at six months

By Our Financial Staff

TNT, Australia's largest transport group, boosted net earniogs 52 per cent to A$55.5m (US$39m) in the half-year to December and plans a 2 cent increese in its dividend for the current year o 14 cents a share.

The company, formerly Thomas Natioowide Transport, bas been awarded the cootract to distribute Mr Rupert Murdocb's newspapers in Britain. It said in Sydney yesterday thet —even ahead of this—UK express freigbt operations had "made excellent progress" and contributed substantially to profits.

The earnings were struck before extraordinary losses cf A$16.6m, mainly in foreign exchange provisions. A charge of A$15.8m was taken in the 1984 first half.

Yen appreciation hits earnings at Komatsu

BY YOKO SHIBATA IN TOKYO

THE SHARP appreciotion of the yen towards the end of last year eroded 1985 earnings of Komatsu, the Japanese company wbicb is second to Caterpillar In the world construction machinery market.

Komatsu said yesterday it would introduce an immediate 5 per cent rise in dollar-based export prices for its products in order to combat the trend. This comes on top of increases averaging 7 per cent which took effect last November.

The move *followed the* announcement of a 5 per cent dip in parent company pre-tax profits to Y42.02bn ($229.7m) for the year, despite a 4.2 per cent rise in sales to Y599.59bn.

Net profits were 3.8 per cent lower at Y22.81bn. The dividend is being maintained at Y8 per share.

The yen's steep appreciation reduced export profitability of construction machinery. A foreign exchange loss of Y3.5bn, against the previous year's Y700m exchange deficit, was another foctor in the reduced earnings.

For the current year, sales are projected ot Y650bn, up 6.4 per cent. Of these, sales of *large presses are expected to* increase up 2.5 times to Y50bn. Pre-tax profits are forecast at Y38bn, down 9.6 per cent, with net profits at Y19bn, down 16.7 per cent.

Advance at Asahi Glass

BY OUR TOKYO STAFF

ASAHI GLASS, Japan's largest maker of glass and ceramics, increased parent company pre-tax profits by 7.3 per cent last year to Y57.04bn ($311.9m).

Net profits were 6.3 per cent bigher at Y28.59bn, on sales of Y676.61bn, np 12.7 per cent. Sales of its mainstay glass and construction materials rose 14.3 per cent to Y364.56bn. Another strong sector was chemicals, up 11.3 per cent, with particularly good demand for fluoro plastics.

A higher depreciotion hurden, up Y4.6bn to Y33.6bn, was partially offset by sales of securities.

For the current year, nre-tax profits are forecast at Y60bn, up 5 per cent, on sales of Y750bn, ahead by 11 per cent. Depreciation charges are expected to rise a further Y6bn, bowever.

First-half setback at ERA

BY KENNETH MARSTON, MINING EDITOR

ENERGY RESOURCES of Australia (ERA), the uranium producer, bas reported reduced half-year net profits of A$25.52m (US$17.7m or £12.4m), equivalent to 6.2 cents per share, compered with A$30.23m a year ago. The interim dividend is maintained at 5 cents.

Peko-Wallsend and EZ Industries each has a stake of 30.5 per cent in ERA which operates the Ranger mine in the Northern Territory.

● Australia's Central Kalgoorlie Mines bas rejected an increased cash offer of 40 cents per sbare from Paragon Resources.

● Elders Resources, 20 per cent-owned by Elders IXL, has increased its holding in Bridge Oil to 22.6 per ceot from 19.6 per cent. The odditional purchoses were mode off-market at a price of A$2.20 for the fully paid shares and A$1.20 for the partly paid.

Berisford falls 34% to £53m

BY ANDREW GOWERS

S & W Berisford, the commodity trading and processing group, yesterday reported a 34 per cent drop in 1984-85 pre-tax profits.

The group blamed the depressed state of the commodity markets and a cost-price squeeze in its sugar-processing subsidiary, British Sugar.

Profits fell to £52.95m on turnover of £7.29bn in the year to September compared with £80.22m on turnover of £8.7bn previously. This was at the lower end of market expectations.

However, the group held its dividend at 10.5p, saying it was covered twice before deductions of extraordinary items. The final is 7p.

Below the line the figures were dented by two extraordinary items: provisions of £10m to cover potential losses as a result of the international tin crisis and of £19m to cover extra costs involved in the disposal of Erlanger Tubular Works in the US.

Uncertainties surrounding the tin crisis, in which Berisford's metal trading subsidiary, J. H. Rayner (Mincing Lane), is implicated, caused the company to postpone its results announcement until yesterday.

Mr Ephraim Margulies, Berisford's chairman and managing director, said that the company's loss as a result of this could be as small as £7m. This represents its contribution to the proposed rescue for the tin market, the latest version of which was agreed in draft at the weekend.

If that does not succeed, Berisford's loss would be much greater since Mr Margulies said it has outstanding contracts with the International Tin Council for 7,600 tonnes of metal.

However, Berisford's share price took comfort yesterday from the £7m figure, which was lower than some reports circulating in the market had suggested, as well as from the fact that the dividend was maintained. The price closed up 12p at 168p.

The group's commodity merchanting and international trading division, which is suffering from diminished trading volumes and oversupplied markets in many of the products it handles, bore the brunt of the drop in profits last year. Profits fell to just £17.99m in 1984-85 from £45.35m the previous year.

Mr Margulies said the downturn was particularly pronounced in metals and in sugar, but he emphasised that this followed a good year for commodity trading—especially for deals involving countertrade—in 1983-84.

He also said that trading had bounced back in some commodities, notably coffee, in the first few months of the current year.

At the beet-processing company, British Sugar, which Berisford acquired in 1982, profits were also depressed, dropping to £62.87m in 1984-85 from a previous £70.6m.

Berisford blamed higher fuel costs resulting from sterling's weakness against the dollar, together with the 1984 EEC farm price settlement, which left sugar prices unchanged.

British Sugar's animal feed division also suffered from the imposition of milk production quotas in that year, which sharply reduced demand for feed among dairy farmers.

Mr Margulies said, however, that reduced profitability as a result of these factors was offset to a limited extent by productivity gains, and that British Sugar is expected to maintain its performance in the current year despite a fierce price war in the packet sugar market.

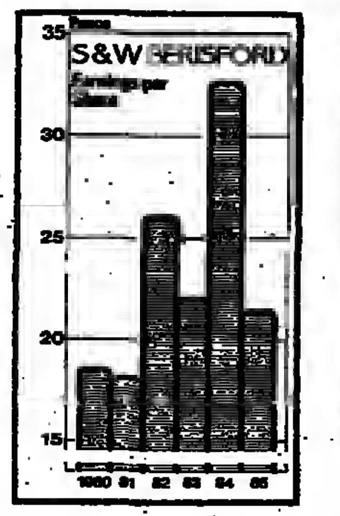
On the property and financial services side, Berisford showed improved profits of £19.18m compared with the previous year's £7.71m.

Mr Margulies said the group wanted to realise some of its property investments—either by selling its key stake in the Billingsgate office development now or by refinancing it and selling it later.

However, he indicated there were no immediate plans to sell Berisford's 14.6 per cent interest in Ranks Hovis McDougall, which it acquired along with British Sugar. This holding was revalued at 182p in the 1984-85 accounts and the net surplus of £28m accruing as a result was credited to the group reserves.

Mr Margulies also confirmed that he had been approached by a number of companies interested in acquiring parts of the company.

See Lex



Mr. Ephraim Margulies, the chairman of S & W Berisford

Morgan Grenfell share-buy details

By Martin Dickson

Morgan Grenfell, the marchant bank, ran into fresh controversy yesterday when, in compliance with a Stock Exchange request, it spelt out details of its share-buying arrangements with two clients—Guinness and United Biscuits—which are making major takeover bids.

UB is making an agreed £2.4bn bid for Imperial Group in the face of a rival offer from Hanson Trust, whilo Guinness is making an agreed £2.3bn bid for Distillers against a rival bid from Argyll Group.

The statements follow complaints from Argyll and Hanson last week that the purchases might havo contravened Stock Exchange regulations which stato that quoted companies, such as UB and Guinness, must obtain shareholders' approval before making an investment giving rise to a capital commitmeot greater than 25 per cent of capital and reservos.

Hanson and Argyll argued that if indemnities covering potential losses on the share purchases existed between Morgan and its clionts, then UB and Guinness could be in breach of the 25 per cent rulo.

Morgan said yesterday that it had bought 22.8m Distillers shares (6.3 per cent). However, only 8.8m of these—purchased at a cost of £55.4m—were subject to an agreement with FGuinness. This specified that in certain circumstances Morgan Grenfell might requiro Guinness to purchase the shares at tho price it paid.

It added that this agreement was limited to shares worth £66m—approximately 25 per cent of Guinness's net tangiblo assets. Tthe Argyll camp bas accepted this and is not pressing the matter furthor.

Howevor, Hanson redoubled its attack after anothor stetement saying merely that, "as is customary," Morgan had an indemnity agreement with United Biscuits for any loss suffered on the Imperial shares.

Hanson pointed out that these shares were bought for £360m—just £50 less than UB's last stated net worth—which it said was well in excess of the 25 per cent level.

The Stock Exchange Quotations Committee has yet to pass judgment on the issue, but the indications last night were that it was likoly to allow the UB arrangement to stand but also to re-examine its rules on indemnities in the light of the dispnte.

Vickers hits £45m as upturn gathers pace

RECOVERY AT Vickers gathered pace during the second six months and with all but one of its key business activities showing improvements the group was able to return profits for tho 1985 year somewhat higher than the City had been expecting.

At the pre-tax level they surged to £45.1m, an increase of 46 per cent over 1984's £30.8m. A final dividend of 8p lifts the net total by 3p to 13p.

In his preliminary report Sir Richard Cave, tho chairman, tells shareholders that following the restructuring of the last two years Vickers is in a better position to expand and prospects for its products (engineering, motor cars, printing machinery and office equipment) are good.

Ho adds that tho directors are determined to seek out opportunities to improve the group's strength in international markets in terms of both product, and profitability and to continue to improve its performance.

Group turnover for 1985 of continuing activities improved to £602.3m (£503.6m).

Rolls-Royce Motors was the biggest eerner. Here, profits improved from £14.1m to £17.2m. Lithographic plates and supplies (Howsan-Algraphy) chipped in £1.3m more at £11.5m and business equipment pushed ahead from £2.7m to £6.2m.

Marine engineering, however, slipped from £6m to £4.5m. Here, substantial costs relating to development and pre-production of new products were written off during the year.

Defence and eerospace showed an improvement of £0.2m at £6.2m, medical and scientific advanced by £0.8m to £4m and other activities swung from losses of £0.5m to profits of £2.5m.

Unallocated operating costs accounted for £1.9m (£1.1m) and net interest charges less investment income for £6.7m (£8.4m).

Overall, profits of the continuing activities rose by 35.1 per cent to £43.5m. Taking in discontinued activities profits rose from £33m to £43.6m.

Pre-tax results were struck after adding in a £1.5m share of related companies' profits, compared with previous losses of £2.2m.

Tax took £7m more at £11.4m to leave net profits at £33.7m, against £26.4m. Earnings per £1 shere rose by 7.7p to 36.3p.

There were extraordinary credits this time of £8.5m, compared with charges of £10.2m in 1984. Stockholders' profits emerged at £42.2m (£16.4m).

Sir Richard says in all businesses tho group's commitment to investment, innovation and improvement of all its products continues and comes before the desire for short-term gain.

He adds that directors are convinced that the expenditures incurred will bring profitabla growth in the future.

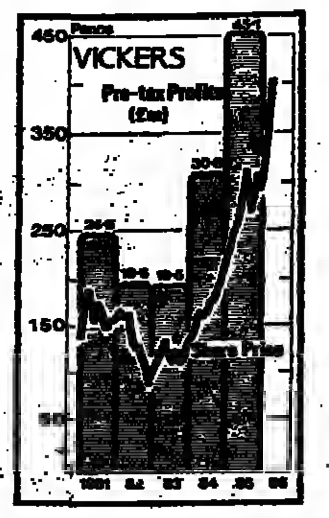
As a consequence of largely fulfilling the divestment programme relating to surplus property and those businesses which did not form part of tho group's key activities gearing was substantially reduced despite currency translation losses and writing off goodwill on tho acquisition of new subsidiary companies.

Group pre-tax profits for the opening six months (to June 30 1985) rose from £13.8m to £18.7m. Sir Richard said at the time that progress had been made across all activities and overall margins had been maintained.

City analysts had been looking for full year figures of up to £44m. The recession of the early 1980s saw profits fall to £19.5m.

The group's claim for fair compensation in respect of its former shipbuilding business and aircraft interests, nationalised in 1977, was beard during June by the European Court of Human Rights in Strasbourg. The directors are still awaiting the Court's judgment.

See Lex



Bowater sells joinery side for £8.5m

Bowater Industries, the UK paper group, has sold a controlling stake in its joinery division for a total price of £8.5m.

The purchaser is Sarek Wood, a recently-formed consortium of major sawmills in Sweden, will pay £1.1m for a 75 per cent holding in Bowater Joinery, part of the building products division, and will repay £7.4m worth of loans. It will also get 100 per cent of the Hallnas SAG sawmill, and will acquire the balance of the joinery equity in two years' time.

Bowater has built up close links with the Hallnas sawmill, but it said yesterday that it was no longer central to the activities on which it is focussing its own future development.

The building products division now consists principally of manufacturing and retailing interests for PVC-framed replacement windows. It intends to concentrate on the development of these as an integrated European business, and will redeploy the funds released by the joinery disposal in this direction.

MURRAY International Trust net asset value increased from 152.8p to 178.6p for the year ended December 31 1985. The final dividend is 3p (3.1p) but the total is lifted from 3.8p to 4.5p. Revenue amounted to £9.1m (£6.92m), subject to tax of £3.44m (£2.85m). Earnings per share are given as 4.78p (3.44p), and 4.69p (3.37p) assuming full conversion of B ordinary.

STANLESS Metalcraft has bought the pipework and fabrications division of the Supaflo Group for £110,000. This is roughly the value of the assets involved and includes the benefit of about £100,000 of work in progress. The business has a turnover of £2m a year and has been operating profitably.

McKechnie under double attack

BY DAVID GOODHART

McKechnie Brothers — aiming a bottle £60m bid at Newman Tonks and itself the subject of a £140m bid from Williams Holdings—yesterday came under attack from both companies.

Newman Tonks's defence document stressed that the McKechnie offer was prompted by defensive motives, had little industrial logic and was anyway far too low.

Mr Edward Barnes, Newman Tonks's chief executive, said the company is in the middle of a long term strategy of growth by acquisition which began in earnest in 1978 with Econa, and has since then taken in the US company Monarch in 1982, Jeavons Engineering in 1983 and most recently the hotly contested R. Cartwright Holdings.

Newman Tonks is currently in talyks with a German company which would give it both a manufacturing base and a distribution network in Europe.

Underlining the extent to which the McKechnie bid has been prompted by Williams', the Newman defence document quotes the McKechnio directors in October 1985 as saying: "The penotration of new markets overseas, either by direct export or through equity investment in overseas based companies . . . will form the springboard for future growth."

Mr Barnes said this showed that a major UK acquisition such as Newman — which would form about 30 per cent of the share capital of an enlarged group — had not been part of McKechnie's plan. He added that McKechnie had also turned down the opportunity of acquiring the Newman subsidiary Rothley Brass when recently offered by the company.

Mr Doug Rogers, the group managing director, pointed to the rapid growth in profits in the recent acquisitions. These have more than trebled in Monarch since 1982 and doubled in Jeavons Engineering since 1983.

He also said that while Newman Tonks concentrates in fairly high-tech engineering products with strong brand identity in trade business, McKechnie remains 60 per cent metals and its plastics is largely sub-contract work. "We don't think that McKechnie can sell our prodncts in the ordinary retail outlots. All our core areas are different and our selling depends far more on personalised service," said Mr Rogor.

Since 1981, says Newman, its profits before tax beve risen by 351 per cent compared with McKechnio's increaso of 83 per cent. Newman's earnings per share have risen by 269 per cent compared with a McKechnie increase of 29 per cent.

Meanwhile, Mr Brian McGowan, Williams' managing director, attacked the assertion in the McKechnie offer document for Newman Tonks that McKechnie's earnings "were of a higher quality than those of Williams." "We now make about 50 per cent of our profits from aerospace which is widely acknowledged to be at the start of a five year boom," he said.

However Dr Jim Butler, McKechnie chairman, also hit back at Newman Tonks defence saying that "the industrial logic is undeniable." He added that many Newman Tonks shareholders clearly do not agree with their directors, as McKechnie has been buying in the market with little difficulty and yesterday raised its stake to 14.9 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
S & W Berisford	7	April 23	7	10.5	10.5
A. McAlpino	8.7	April 3	7.5	12.5	11
Murray Intl Tst	3	—	3.1	4.5	3.8
Vickers	8	May 1	6	13	10

Dividends shown in pence per share except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

IN BRIEF

ALEXANDER RUSSELL'S share price rose 16p yesterday to close at 130p, on news that RMC, the covener, from Scottish Heritable its stako in the company from 4.3 per cent to 9.66 per cent.

RMC acquired a 5.36 per cent stake in Russell, building suppliers distribntor and coal retailer, from Scottish Heritabio Trust, which only bought the holding last December. RMC said it had acquired the "investment" stake because "it was offered to us."

SAMUEL PROPERTIES has purchased a portfolio of five freehold commercial investment properties for £10.15m. Tho list comprised office buildings in Yarmouth Place, Piccadilly, W; Wallington, Surrey; the House of Fraser department store in Camberley, Surrey; a large modern warehouse et Getwick; two units on the Marsh Barton Estate, Exeter.

BOND CORPORATION, the Australian brewery, media and resources group, has cut its shareholding in Airship Industries from 62 per cent to 49 per cent by selling 22m of its shares at 25p a share. Bond said that an opportunity had arisen to broaden the institutional holding in Airship. At one time, Bond held 82 per cent.

MELLERWARE International has acquired 66 per cent of N. C. Joseph for £388,000. Of the consideration £200,000 was satisfied in cash while the balance is to be satisfied by the issue of 100,000 ordinary shares to Lapwing Investments, one of the vendors. Joseph is engaged in the manufacture of domestic kitchen equipment and appliances. Pre-tax loss was £64,000 for 1984.

PERCY BILTON, the property group, is seeking to raise £4.84m by placing 1.97m new ordinary shares at 255p with clients of Rowe and Pitman. The money will enable Bilton to redeem mortgages on parts of 11 industrial estates. Shareholders will be asked to approve the move on March 12.

PERICOM, manufacturer of computers, peripherals and terminals, has purchased the minority shareholding in Pericom Inc. at a cost of $190,000 cash, Mr Ron Cragg, the chairman, told the annual meeting. He said management accounts for the first four months of the current year showed a most encouraging trend. Both the company monthly production and order book were currently running at an all-time high. The directors reiterated their confidence in the current year.

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Exco seeks answers

By Charles Batchelor

Morgan Grenfell, the merchant bank which is in merger talks with Exco International, yesterday began providing confidential information about its own operations to Exco as a prelude to negotiations on the terms of the deal.

Morgan, in common with tho other British merchant banks, normally provides only limited information on its trading performance in its published accounts on the grounds that secrecy is necessary to preserve confidence.

It faces the problem in a deal of this kind that Exco and its shareholders want to know the true position of their potential partner.

Yet Morgan is reinctant to give too much information which would be useful to competitors if the deal were to fall through.

Tan Sri Khoo Teck Puet, the Malaysian businessman who owns 27 per cent of Exco, met Morgan yesterday and said: "There are certain figures to be furnished. Wo cannot take a decision on the terms of the bid until we have seen them."

Mr Nicholas Jones, a director of Schroder Wagg, which is advising Tan Sr Khoo, said "I cannot see a very quick resolution of this merger.

The morger is expected to take the form of an agreed bid from Exco for Morgan, which is unquoted. Morgan expects, however, to take a dominant rola in the management of the combined group.

Exco's shares rose 11p yesterday to 245p.

Menvier Swain for USM

BY RICHARD TOMKINS

MENVIER-SWAIN, a Banbury-based maker of emergency lights and fire alarms, plans to come to the unlisted securities market through a placing next month.

Tho group claims to havo about 25 per cent of the UK market for emergency lights used in botels, factories and public buildings. Its products include conversiou kits to allow standard fluorescent lights to work after a power cut and emorgency lighting systems powored from a central battery.

Moro recently Menvior-Swain has diversified into fire alarms control units and accessories including break-glass call points, beat and smoke detectors, and alarm sounders.

A subsidiary makes miniaturised electronic circuits for individual customers using the technique known as thick film technology. Most of these customers are electronic instrument manufacturers.

Group turnover is said to have risen from £2.6m in the year to April 1981 to £9.5m in 1985. The directors say they believe there are excellent prospects for sustained growth.

The placing will be sponsored by J. Henry Schroder Wagg, tho merchant bank, and brokers to the issuo will be Phillips and Drew.

Shop design companies set for merger

HAVELOCK EUROPA, the USM-quoted store designer and shopfitter, is poised to make an all-share offer for Store Design, a private shopfitting company. In the year to April 30 1985 Havelock made pre-tax profits of £628,000 on a turnover of £8.58m. Store Design is of similar size. Havelock's shares were suspended yesterday and a further announcement is expected soon.

MURRAY INCOME Trust's net asset value rose from 129p to 155.6p per share in the year anded December 1985. Net revenue for the half year to December 31 slipped from £2.19m to £2.08m after tax of £933,000 (£1.12m). Earnings for the period emerged at 2.5p (2.64p). For the full year (to June 1986) earnings are estimated at 5.4p (5.22p) — substantially higher revenue is anticipated in second half. An interim dividend of 1.8p (1.7p) has already been announced along with a forecast total of not less than 5.4p (5p).

Coin lifts profit 78%

PRE-TEX profits up by nearly 78 per cent from £248,000 to £441,000, are reported by Coin Industries for th six months to December 31 1985.

The directors say the result represents a strengthening of volume and margins following the ections reported et the year-end and at the time of the annual meeting.

On those ocasions, the groop said it was changing from its main orientation in tho ieisure market, to a broader spreed of customers such as clearing banks and stores through the acquisition of ICC Machines.

Tho board set itself demanding medium-term growth targets which would be achieved organically and through acquisitions.

During tho opening half there was a bealthy demand from the group's traditional coin validation beusiness sectors, as well as from newer markets.

The directors say demand for the group's activity remains strong, and they were encouraged by the interest shown in the new electronic prodncts introduced ot exhibitions in London and Frankfurt last month.

A satisfactory outcome for the rest of the year is anticipated.

Group turnover was up from £5.76m to £6.88m in the first half. There was a higher tax charge of £176,000 (£113,000), and after minorities this time of £12,000, attributable profits emerged up from £135,000 to £253,000.

The interim dividend is unchanged at 1.1p net, and stated earnings per 10p share rose from 1.17p to 2.2p.

The group designs, manufactures and markets a wide range of coin operated machines and computer games.

Stocklake held back in first half

Although there was some improvement in trading conditions et Stocklake Holdings during the first six months, tha results, albeit improved, have been edversely affected by tho strengthening of sterling against the currencies of the overseas countries in whicb the group operates.

Pre-tax profits of this exporter, importer and distributor, steel stockholder and financier, rose from £1.56m to £1.87m, but turnover for the six months to September 30 1985 was down from £11.83m to £11.68m.

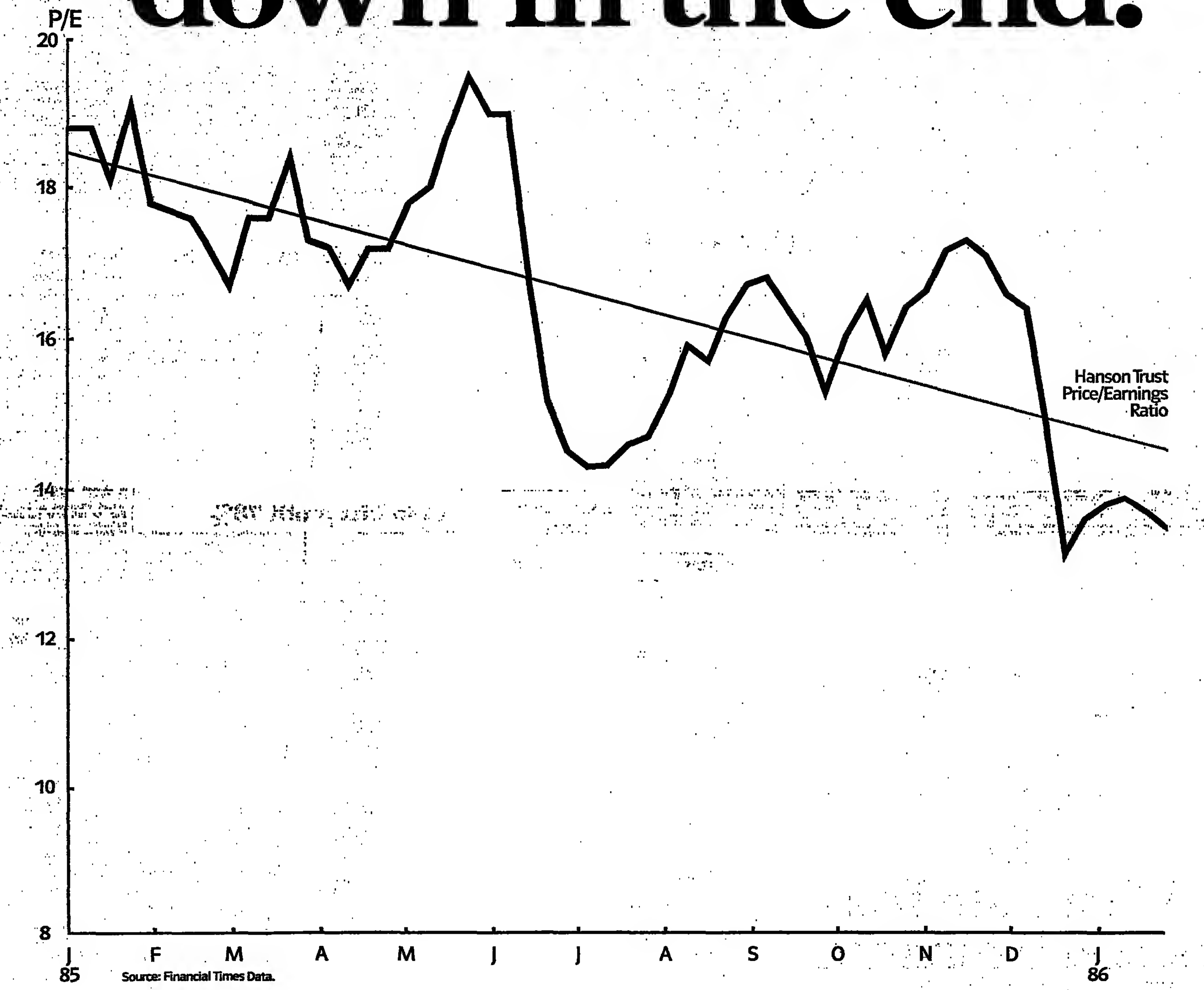
The interim dividend is unchanged et 3p net—last year's total wes 12p from pre-tax profits of £3.82m (£3.55m). Stated first balf earnings per 25p share improved from 18.9p to 22.8p after tax up from £845,000 to £919,000.

HOGGETT BOWERS, the executive recruitment consultants, forecast a 20 per cent rise in fee income and pre-tax profits for the first quarter of 1985-86. Mr John Featherstone, the chairman, said balf-year profits to February 28 1986 would be better than last year.

Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(o)	Yield %	P/E Actual	P/E Fully taxed
146	115	Ass. Brit. Ind. Ord.	128	—	7.3	0.6	7.7	7.8
151	121	Ass. Brit. Ind. CULS	131	—	10.0	7.0	—	—
75	43	Airsprung Group	70	—	6.4	0.1	11.7	10.2
46	33	Armitage and Rhodes	33	—	4.3	13.0	4.1	4.8
170	108	Bardon Hill	170	—	4.0	2.4	21.5	22.4
64	42	Bray Technologies	57	—	3.9	0.8	7.0	8.0
201	136	CCL Ordinary	138	—	12.0	0.7	3.4	3.2
152	97	CCL 11pc Conv. Pref.	99	—	15.7	15.2	—	—
136	80	Carborundum Ord.	135	—	4.9	3.6	0.7	10.6
94	83	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
65	46	Deborah Services	58xd	+1	7.0	12.1	6.0	7.9
32	20	Frederick Parker Group	21	—	—	—	—	—
96	80	George Blair	96	+3	—	—	2.8	7.1
67	20	Ind. Precision Castings	67	+1	3.0	4.5	17.7	14.0
210	163	Isis Group	163	—	15.0	9.2	12.6	10.7
122	101	Jackson Group	118	—	5.5	4.7	7.8	7.9
327	228	James Burrough	327	—	15.0	4.6	10.3	10.3
96	85	James Burrough 9 pc	92xd	—	12.8	14.2	—	—
96	64	John Howard and Co.	64	—	5.0	7.8	5.1	6.0
960	570	Minihouse Holding NV	910	+20	6.8	0.6	39.7	37.8
82	32	Robert Jenkins	70	—	—	—	9.1	20.0
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	66	Torday and Carlisle	69	—	0.0	7.2	3.6	6.3
370	320	Travian Holdings	325	—	4.3	1.3	19.5	16.2
49	25	Unilock Holdings	49	+1	2.1	4.3	13.3	13.0
136	93	Walter Alexander	135	—	0.0	0.4	7.6	8.3
226	195	W. S. Yeates	200	—	17.4	0.7	6.7	9.8

We always thought Hanson would climb down in the end.



The reason for Hanson Trust's ever-growing appetite is clear. Over the last twelve months, its price/earnings ratio has come down with a bump.

Yet Hanson's current share price still reflects a p/e ratio higher than that justified by the industries in which it operates.

Therefore, only if Hanson's growth rate can be maintained is it likely that the erosion of its premium rating can be arrested.

In the absence of adequate organic growth, growth through acquisition is the only answer. Again.

But is the City beginning to have its doubts?

As the Guardian put it: "Rightly or wrongly, Hanson Trust is perceived by the financial markets as a bicycle that has to be pedalled hard to stop wobbling." (8.1.86).

Certainly, Hanson's share price is no evidence of market confidence: since January 1985, Hanson shares have underperformed the FT All-Share Index by 21% (2nd January 1985 – 21st February 1986).

Has Hanson's price/earnings ratio simply climbed down? Or could it be over the hill?

Famous brands doing famously.
IMPERIAL GROUP

The sources for the information contained in this advertisement are company accounts and the Stock Exchange Daily Official List as well as the letters from the Chairman, Imperial Group plc to shareholders dated 16th January and 13th February 1986. The directors of Imperial Group plc (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure that the facts stated and opinions expressed are fair and accurate. The directors accepted responsibility accordingly.

UK COMPANY NEWS

McAlpine recovers in second half

THE SECOND half saw a recovery by Alfred McAlpine, the building, civil engineering and minerals group, and full year pre-tax profits came to £22.05m.

This was only £403,000 ahead of the comparable figure last time, but at halfway profits had fallen by £570,000 to £6.8m. Yesterday Mr Bobbie McAlpine, the chairman, said that there was a "real improvement in trading during the year."

The figures were affected by the collapse of the rand, which reduced the contribution from South Africa by almost £1.75m; and profits last time included £2.2m of capital profits, against £1.5m for the year under review, ended October 31 1985.

The shares jumped 16p after the announcement to close at 352p.

The final dividend is to be raised from 7.5p to 8.7p for a total of 12.5p. It is covered 3.1 times by net earnings per share of 38.9p, down from 45.4p.

Mr McAlpine also announced yesterday that the group had been disappointed in two international contracts together worth around £35m. One, in the United Arab Emirates for £10m has been won, but commencement has been delayed for at least a year.

In the other, worth around £25m in Botswana, it has been substantially undercut by an unnamed foreign competitor. "Such are the problems of international contracting it is difficult to be enthusiastic about short-term prospects, particularly

Mr Bobbie McAlpine, the chairman

until the effects of the recent sharp fall in oil prices are known," said the chairman.

He also announced that the company had been forced to return to the Kuwaiti courts in an attempt to win payment of a £7m settlement awarded to it and its German partners against Kuwait Metal Pipe Industries. Mr McAlpine said the process would take at least 12 months.

Turnover in the year rose from £340.09m to £393.08m. Last August, the company pulled out of its South African operations with the sale for £19.5m of its subsidiary there. The transaction was concluded shortly after the year end, and the profit of £18m on the sale will be taken in the current year as an extraordinary item.

The proceeds have been re-invested in the US, lifting the group's total investment there to $48m (£33.4m). The opportunities in the US looked very encouraging for both the minerals and homes divisions, the chairman said.

The construction division increased profitability and is hopeful of a further improvement in the current year, despite the lack of work opportunities and the competitive prices operating throughout the industry. Mr McAlpine said that there are signs of a little more work becoming available, which he hopes will allow "modest but much-needed increase in margins."

The minerals division did not achieve its budgeted profit due to a poor first half in the UK and the much lower South African result. The second half was much better in the UK, producing a reasonable profit for the year.

The property division had a "disappointing year, with both lettings and sales taking longer than expected," said Mr McAlpine. However, there has been a general improvement in the prospects for both operations, and the company is hopeful of a considerable improvement in profit.

Overall, the chairman was confident about the current year. A good start had been made by the new activities in the US, he said, and he looked forward to a "smooth and profitable progression."

The company paid £8.81m in tax for the year, against £5.94m. Undistributed profit is shown at £9.55m (£12.36m).

● comment

McAlpine surprised the City, and even itself, by producing a million or so more than everyone had expected. Its share price jumped accordingly to close 16p higher at 352p. With the disposal of its South African interests — in a deal which, luckily for McAlpine, was negotiated before Alexandra Township erupted—the company has solved its most pressing problem. From now onwards McAlpine will look to the US for growth. The company has already secured a foothold in minerals and property on the Eastern seaboard and, armed with the proceeds of the South African sale, is searching for more. Another minerals deal should be announced within the next few days. In the UK the priority is still to diversify away from the recession blitzed contruction industry which, ironically, increased its contribution to profits this year. Property, building—in the South East and the newly chic area of retirement homes—and minerals have been identified as the chief growth sectors. McAlpine has already convinced the City that it has hauled itself out of the doldoms—the market expects £25m for next year—but the share price still fails to reflect the full extent of its recovery.

Bestwood's £6.3m bid for Country Gentleman

By Charles Batchelor

BESTWOOD, the investment holding company with fund management and property interests, is making a £6.3m takeover bid for The Country Gentleman's Association, which provides financial services to its 32,000 members as well as non-members.

This is the second time within two years that Mr Tony Cole, chairman of Bestwood, has attempted to gain control of the association.

Atlantic Investment Trust, where Mr Cole was managing director, launched a £1.1m tender offer for 29.9 per cent of the association in June 1984.

Mr Cole moved to Bestwood in February 1985, where he became chairman, shortly after Atlanta had been taken over by Grovebell Group.

He bought a 29.9 per cent stake in Bestwood and injected into it Atlanta's fund management and unit trust interests, which he had bought back from Grovebell.

The Atlanta tender was foiled by the intervention of the trustees of Lord Tanlaw's Settlement, who acquired a 24 per cent stake in the association to block the bid.

The Bestwood bid, in contrast, has obtained the backing of the Tanlaw trustees who now control 27.1 per cent of the association, or 200,000 shares. In addition Bestwood owns a further 15,500 shares or 2.1 per cent of the association's equity.

For every association share Bestwood is offering two of its own shares or one of its shares and 350p cash. The partial cash offer has been underwritten by stockbrokers Greig, Middleton, Bestwood's advisers.

Bestwood's shares rose 2p to 425p yesterday to value the all share offer at 850p per share and share and cash offer at 775p per share. The association's shares leaped 250p to 800p.

The Tanlaw trustees are believed to have given this bid their backing because of the association's recent poor performance.

Pre-tax profit fell to £124,000 on turnover of £1.53m in the six months ended September 1985, from £132,000 on turnover of £1.26m previously.

The association started life as a mail order firm supplying gardening equipment, but developed into a financial services group providing its members with advice on insurance, school fees and mortgages. It now also has about 100,000 non-member clients.

Mystery deepens on true ownership of Westland shares

BY LIONEL BARBER

THE mystery surrounding the true ownership of a substantial block of shares in Westland, Britain's sole helicopter maker, intensified yesterday.

Lazard Brothers & Co, Westland's merchant bank advisers, issued a statement listing eight names of companies holding between them 20.85 per cent of Westland. But Lazard conceded that it still did not know whether any of these companies were the true beneficiaries.

Almost two weeks ago, Westland shareholders voted in favour of a rescue plan put forward by Sikorsky, the US helicopter maker, and Fiat of Italy. The mystery shareholders all voted in favour of Sikorsky/Fiat and, by implication, against a rival plan put forward by a consortium of British and European aerospace manufacturers.

The mystery shareholders are: Actraint No 34 Pty Ltd, Canberra (4.99 per cent); Sterling Trust SA, Geneva (4.89 per cent); Rothschild Bank AG, Zurich (4.76 per cent); Les Fils Dreyfus & Cie SA, Switzerland (3.65 per cent); Gulf & Occidental Investment Company SA Geneva (1.38 per cent); Banque Les Fils Dreyfus, Les Fils Dreyfus & Cie Sae, A/C Lynx Marketing SA, Panama, RP (1.18 per cent).

All these shareholdings are believed to have been used to disguise the true owners of the Westland shares, despite their crucial influence on the shareholders' vote. The Westland board insists that it does not know their identity and has dispatched a section 212 notice to establish the bneficial owners. A Stock Exchange inquiry into share-dealing in Westland is, meanwhile, continuing.

Macmillan set to buy rival publisher

By Lionel Barber

Macmillan, publisher of more than 900 titles a year, is set to buy Sidgwick & Jackson, a rival publisher whose recent best-sellers include the Live Aid book and Iacocca, the autobiography by Lee Iacocca, head of Chrysler.

Mr Geoff Todd, finance director at Macmillan, confirmed yesterday that talks with Sidgwick and its owner, Trusthouse Forte, the catering and hotel group, were well advanced.

Macmillan made pre-tax profits of £5.1m on turnover of £82.1m in 1984. Sidgwick has an annual turnover of about £2m and has been profitable since 1981.

Scottish Amicable bonus pegged

Scottish Amicable Life Assurance Society, a leading Scottish life company, has declared both unchanged reversionary bonus rates for 1985 and unchanged terminal bonus rates for claims arising during 1986.

On assurances, the reversionary bonus is £4.50 per cent of the sum assured and £5.50 per cent of attaching bonuses. The rate for individual pension contracts is £4.60 per cent of the basic benefit and £5 per cent of attaching bonuses.

The terminal bonus scale is based on the duration of the contract at the time it becomes a claim, and the company is maintaining it despite the rise in assets values during last year.

Theatre group stages £1.4m BES share issue

BY ALICE RAWSTHORN

THE PLAYHOUSE Theatre Company is seeking to raise £3.4m through a business expansion scheme to reopen a West End theatre and start a production company.

The company's directors have already invested £1.4m in the project, and the theatre, the Playhouse on Northumberland Avenue, has been purchased. The company plans to spend £1.275m on refurbishment and £750,000 in forming the production company.

The company is releasing up to 1.4m shares for £1 each to raise between £550,000 and £1.4m in an issue sponsored by Chancery Corporate Services. The issue will close on April 30. Investors who buy more than 2,500 shares will be entitled to priority booking and to attend first nights.

The Playhouse should reopen in July next year. The company plans four productions a year: mix of the classics, revivals and new plays, according to the chairman, Mr Robin Gonshaw. The theatre has been unused since 1951 except for BBC radio recordings between 1951 and 1975.

Rock chairman sells stake and leaves board

By Lionel Barber

MR ROBERT CLARKE, chairman and managing director of Rock, the engineering parts suppliers, has sold a 17 per cent share in the company and resigned from the main board.

The stake has been bought by a consortium led by Mr Trevor Chinn, chairman of Lex Service, the automotive and electricals distributor, and Mr Oswald Dockery, finance director of Rock, who becomes chairman and managing director. Mr Chinn will join the Rock board as a non executive director.

Mr Clarke, who joined Rock four years ago and helped turn the company round, sold his holding at 24p a share, netting £720,000.

After losing £342,000 before tax on £1.03m turnover in 1981, the group moved back into profit in 1984, with £72,000 pre-tax on £5.85m sales. For the first six months of 1985, the group made pre-tax profits of £95,000.

Mr Clarke will remain on the board of Rock Merchanting, the group's principal subsidiary.

He has bought 490 shares in Bletchlerd, the company which controlled the 17 per cent stake in Rock, increasing his stake to 99.1 per cent.

Heavier losses for Petrogen

REFLECTING the fall in prices received and high overheads, Petrogen Petroleum Inc, USM quoted oil and gas exploration group, suffered taxable losses of US$250,060 (£177,000) for the six months ended August 31 1985. These are compared with £86,500 for the whole of the previous 12 months to February 28 1985.

The directors, however, continue to seek opportunities for expansion by way of the acquisition of suitable reserves that will improve cash flow and the utilisation of group overheads.

They add that they are actively examining ways of reducing the current level of overheads.

Six months' turnover was $64,197, against $274,519 for the previous year, while after production, costs and depletion, operating profits came out at $37,902, compared with $191,739.

There was no tax and after minority interests of $23,244 ($29,422) the loss emerged at $235,817 against $57,087.

In the group's West Wettenburg Field, in Colorado, the construction of a new pipeline is expected to yield significantly higher volumes of gas than the six month period to August last, and that higher sales should be achieved through the summer months.

In the UK one of the group's wholly-owned subsidiaries, has taken a 22 per cent interest in a group application relating to the east midlands, and an interest of 20 per cent in a group applying for two licences, one in Shropshire, the other in Lancashire.

The group will not be the operator of any of these licenses.

Metal Bulletin slips to £1m

DESPITE improved turnover of £6.13m, against £5.8m, pre-tax profits of Metal Bulletin fell from £1.21m to £1.03m in 1985.

A maintained final dividend of 2.75p net is proposed, making the total 4.25p (4p adjusted). Stated earnings per 10p share fell from 7.75p to 6.83p. The company's shares are traded on the Unlisted Securities Market.

Mr Frank Rice-Oxley, the chairman, says 1985 was a difficult year. The markets of the core business, the trade journal Metal Bulletin, were depressed, and efforts to stimulate turnover for this year and onwards, were costly.

He adds that the tin crisis which erupted on October 24 had a widespread impact on confidence in all branches of international metal trading, resulting in many clients deferring expenditure.

This worsened the already unfavourable business climate precisely at the time when many of the new measures taken to boost turnover and profit matured.

Looking ahead, Mr Rice-Oxley says a dramatic increase should not be expected, but he is confident of resuming forward momentum once the cloud associated with the tin crisis lifts.

After tax of £429,100 (£535,000), extraordinary charges of £15,400 (nil) and dividends up from £350,000 to £372,000, retained profits were down from £328,500 to £210,800.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Finals: Capital and Counties, First Scottish American Trust, Ladies Pride, Mount Charlotte Investments, Ozalid, Radius.

FUTURE DATES

Interims:	
Consolidated Plantations	Mar 7
Fil Group	†Feb 27
Highland Electronics	Feb 26
Isotron	Feb 26
Scholes (George H.)	Mar 18
Finals:	
A. C. Cars	Feb 27
Alex	Feb 28
Biomechanics International	†Mar 6
Juliana's	Apr 16
Microvitec	Mar 3
New Darien Oil Trust	Mar 13
Provident Financial	Mar 4
Saga Holidays	Feb 28
Sutar	Mar 17
VG Instruments	Mar 26

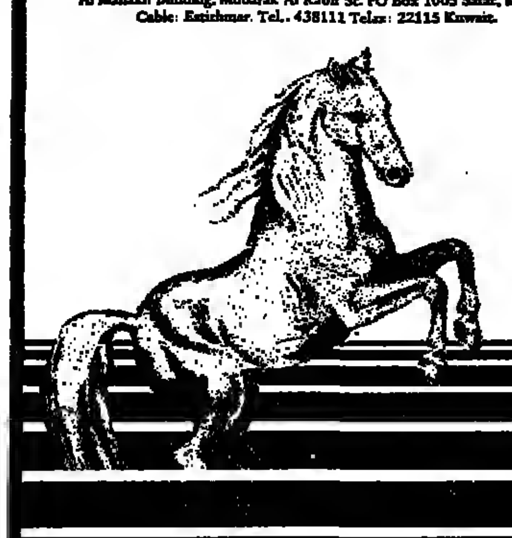
†Amended.

HONEYWELL CAPITAL N.V.

6% SUBORDINATED GUARANTEED CONVERTIBLE DEBENTURES DUE 1986

Notice of Granting of Stock Rights

Pursuant to Section 3.06 of the Indenture dated as of November 15, 1971, the Board of Directors of Honeywell Inc. (the "Company") has established March 7, 1986 as the Record Date for the determination of holders of Common Stock, par value $1.50 per share, of the Company that are entitled to receive Rights, initially representing the right to purchase one one-hundredth (1/100th) of a share of Series A Junior Participating Preferred Stock of the Company, pursuant to the terms of the Rights Agreement, dated as of February 24, 1986, between the Company and Norwest Bank Minneapolis, N.A. as Rights Agent. In addition, Rights will be issued for each share of such Common Stock issued by the Company between the Record Date and the Distribution Date upon conversion of the Honeywell Capital N.V. 6% Subordinated Convertible Debentures Due 1986. The Distribution Date is the earlier of: (i) 10 days after the public announcement that a person or group beneficially owns 20% of the Common Stock and (ii) 10 business days after the commencement of a tender or exchange offer which would result in the offeror beneficially owning 30% of the Common Stock.



UK COMPANY NEWS

An ability to surprise seasoned professionals

Charles Batchelor on the Kuwait Investment Office

THE KUWAIT Investment Office, one of the most secretive and unpredictable of the City's major investing institutions, confirmed its ability to surprise even the most seasoned professionals with its recent purchase —and immediate sale—of Exco International.

In the space of just 24 hours in mid-November the KIO bought a 22 per cent stake in Exco, one of the leading London money brokers, and sold it on to a little-known Malaysian businessman, taking a near £6m profit on the way.

The KIO, the main organisation for investing Kuwait's oil revenues overseas, showed once again that its size did not prevent it moving with surprising speed. With $20bn-$30bn under management, including $6bn in London, the KIO is one of the wealthiest fund managers in the world.

The KIO's devotion to secrecy and a widely-held belief that a large state-owned investment organisation has to be slow on its feet have caught out more than one company chairman or rival institution in the past few years.

The Exco deal surprised Exco, British & Commonwealth Shipping, which was the original owner of the shares, and Exco's brokers, De Zoete and Bevan, which had all assumed the KIO would be a long-term holder of the shares. De Zoete was sacked by Exco for its miscalculation.

The Bank of England, too, was apparently displeased at the speedy onward sale of the shares to Tan Sri Khoo Teck Puat, a businessman whose operations had previously been centred on the Far East.

Tan Sri Khoo's subsequent build-up of a 27 per cent stake in Exco fuelled fears the company was vulnerable to a hostile takeover bid and prompted merger talks — first disclosed on Sunday—with Morgan Grenfell the British merchant bank.

Mr Fouad Jaffar, deputy chairman and chief executive of the KIO, had this to say about the Exco affair.

"We negotiated a fair price and bought in good faith. We gave no commitment, so if people make assumptions that is their fault. Anyone who has followed us has seen us buy and sell big holdings.

"When you have £123m at risk and someone offers you an immediate return what do you do? To whom did we owe our loyalty, to Extel, B and C or our own shareholders?"

Apart from those involved in the Exco share shuffle there are others in the City who have been bruised by this non-nonsense approach.

"They have a reputation for being very arrogant, very pushy," commented one analyst. "They are prepared to ride rough-shod over people."

One technique which has not made the KIO popular is their coming in on the placing of a large line of shares with an offer ½p or ¼p above the price the broker has negotiated with other institutions, provided the KIO gets the whole placing.

The broker is then faced with offending the institutions which have already agreed a price or explaining to his client why he did not accept the better KIO offer.

But equally, there are many in the City who welcome the KIO's ability to act fast and avoid the bureaucratic delays which can occur with other large institutions.

Hanson Trust, the acquisition-hungry conglomerate headed by Lord Hanson, had reason to thank the KIO for its rapid response last July when a £519m rights issue flopped.

The KIO emerged as Hanson's largest shareholder with a near 8 per cent stake—since reduced to just over 6 per cent—after a late-night emergency share placing staged by N. M. Rothschild. The intervention of the KIO and several other institutions helped Hanson avoid the ignominy of half the new shares being left with the underwriters.

"They are tough and they can be hard to deal with but they are decisive," said one broker. "If they say yes they mean it. They are the sort of chaps you want. You go there first. They are sharp and street-aware."

So who are the "chaps" at the KIO and how do they operate?

Set up in the 1950s to invest Kuwait's oil revenues, the KIO began with relatively modest holdings in UK treasury bills, gilts and equities. When the oil price quadrupled in the early 1970s its activities expanded fast until it was managing a world-wide portfolio of securities and direct investments.

The more recent drop in the oil price and Kuwait's economic difficulties have had an inevitable impact on the flow of funds. Some people in the City have detected a greater willingness on the part of the KIO to sell holdings and take a profit than previously was the case. The KIO nevertheless remains a major player on the international scene.

The 40-strong team of investment managers, analysts and traders handle about two thirds of Kuwait's actively-managed reserves of around $40bn. They handle all of Kuwait's worldwide investments out of St Vedast House, an anonymous seven-storey office block in the City facing across the bustling Cheapside to St Paul's Cathedral.

The KIO is a tightly-run, self-contained unit which claims to make no use of outside advisers to carry out its worldwide dealings. It has specialised investment teams concentrating on specific areas such as North America or Europe.

The top two positions are held by Kuwaitis. Chairman of the KIO is Sheikh Fahd M. Al-Sabah, a member of the Kuwait royal family. Mr Jaffar, his deputy, is in charge of day-to-day operations. The investment teams include about 10 other Kuwait nationals.

At the next layer down the British, or rather Scottish influence, becomes apparent, with two Scottish-trained accountants, Mr Bruce Dawson and Mr David Buchanan in senior investment management positions.

The tight-knit nature of the London operation means decisions can be taken rapidly and investment policies can be adapted at short notice.

"They do have an amazingly high degree of discretion which you would not expect of an Arab investment entity," said one UK fund manager.

"They have the advantage of having a single shareholder or principal so they don't have to refer back to their trustees," commented another.

The KIO's stated aim is to carry out long-term investment to protect and increase capital value. But to avoid becoming an index fund, with investments which merely mirror the Stock Exchange indices or inflation, the KIO is prepared to take short-term risks and profits.

How successful have these policies been?

A recent official Kuwaiti survey of the relative performance of the KIO and the commercial banks which manage other Kuwaiti investments showed that the KIO matched or exceeded all but one or two of the smaller portfolios.

Some critics point out, though, that the KIO's move into direct UK property investment, which began with the purchase of St Martin's Property Corporation in 1974, coincided with the start of an unexciting decade for the property market.

The KIO pursues a deliberately hands-off policy to its equity investments. It believes that too close an involvement in management decisions would make it privy to insider information and expose it to restrictions on its freedom to deal in the shares.

For this reason senior KIO officials avoid close contacts even with the companies in which they have a major stake. The distance that the KIO likes to keep from its investments adds to the deliberately cultivated aura of secrecy which surrounds its dealings.

The low profile serves two purposes. The KIO is anxious to avoid criticism in the West that "the Arabs are taking us over." Equally it does not want to inflame radical Arab opinion which is critical of oil money being invested in the capitalist economies, instead of closer to home.

It was censured last July by the Kuwait Finance Ministry for buying shares in Arthur Bell, the Scotch whisky distiller, because of the Arab ban on alcohol.

Apart from its sizeable equity holdings in UK equities (see table) the KIO owns three British companies: St Martin's Property Group; Hay's Group, which has interests ranging from chemical manufacture to insurance broking; and Autobar, a catering services company. These companies employ 5,000 people in the UK.

Britain counted for 18 per cent of the KIO's investments, according to one recent estimate, with the US taking 30 per cent, Japan 20 per cent and West Germany 15 per cent.

Despite its low profile, pressure from inside Kuwait led to the establishment in 1982 of a Kuwait Investment Authority, originally intended to import outside advisers and move the centre of investment decisions back home. But this threat to the KIO's autonomy faded when it was realised that it was impossible to maintain active management of the portfolio if all major decisions had to be referred back for approval over a 3,000-mile telex line.

Provided the investment teams in St Vedast House do not lose their touch, the KIO should be able to maintain its freedom of action — and its ability to spring surprises on the City.

KUWAIT INVESTMENT OFFICE STAKES IN UK COMPANIES
(Substantial holdings)

Company	Percentage holding	Value (£m)
Aberdeen Construction	5.4	2.1
Alva Investment Trust	14.22	0.48
Bank of Scotland	4.7	21.8
Barratt Investments	8.5	20.4
BBA Group	6.14	7.1
Brent Walker Holdings	12.3	3.3
Caledonia Investments	6.7	20.7
English and Scottish Investors	11.0	6.8
Fleming Mercantile Investment Trust	8.2	15.5
Fleming Technology Investment Tst	10.1	6.0
General Accident	8.0	114.0
Gerrard and National	6.6	5.8
Hanson Trust	6.07	137.2
Harrisons and Crosfield	5.6	25.8
HAT Group (Government of Kuwait)	5.2	3.9
Hogg Robinson Group	10.0	14.3
Legal and General Group	5.6	63.2
Monument Oil and Gas	29.54	1.3
Mowlem (John)	7.7	8.2
New London Oil	11.7	0.87
Newmarket Company	20.13	6.7
Norfolk Capital Group	11.1	3.1
Petranol	5.74	0.77
Powell Duffryn	5.6	9.7
Queens Moat Houses	9.3	11.1
Royal Bank of Scotland	14.72	121.8
Trafalgar House	5.8	63.8
Trans-Oceanic Trust	8.9	5.4
Trusthouse Forte	5.08	63.8
Union Discount Company	8.4	6.8
Vickers	6.9	23.4
Warnford Investments	5.2	2.4
Total		799.5

Sources: Extel, Crawford's Directory of City Connections.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re

CONTINENTAL AIRLINES CORPORATION,
CONTINENTAL AIR LINES, INC.,
TEXAS INTERNATIONAL AIRLINES, INC.,
TXIA HOLDINGS CORPORATION,
TXIA FINANCE (EUROPE) B.V.,
TEXAS INTERNATIONAL AIRLINES CAPITAL N.V., and
TEXAS INTERNATIONAL AIRLINES FINANCE N.V.,
Debtors.

Chapter 11
Case Nos. 83-04019-H2-5 through 83-04022-H5-5 and 85-05481-H5-5 through 85-05483-H5-5

Consolidated Case No. 83-04019-H2-5

NOTICE TO CREDITORS AND EQUITY SECURITY HOLDERS (A) CONCERNING VOTING ON DEBTORS' PLAN OF REORGANIZATION AND (B) FIXING DATE, TIME AND PLACE FOR HEARING ON CONFIRMATION OF PLAN OF REORGANIZATION

TO ALL CREDITORS AND EQUITY SECURITY HOLDERS OF THE ABOVE-CAPTIONED DEBTORS:

NOTICE IS HEREBY GIVEN THAT:

1. On February 12, 1986, the United States Bankruptcy Court for the Southern District of Texas (the "Court") entered an order (the "Order") approving the disclosure statement (the "Disclosure Statement") in respect of the Third Amended Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code (the "Plan") filed by Continental Airlines Corporation, Continental Air Lines, Inc., Texas International Airlines, Inc., TXIA Holdings Corporation, TXIA Finance (Europe) B.V., Texas International Airlines Capital N.V. and Texas International Airlines Finance N.V. (collectively, the "Debtors"). Pursuant to the Order, copies of the Plan and Disclosure Statement and a ballot for voting on the Plan will be mailed to all known creditors and equity security holders no later than February 26, 1986. If you believe that you are entitled to vote on the Plan but have not received the necessary documents by March 5, 1986, you may obtain the Plan, Disclosure Statement and a ballot by telephoning Continental Airlines at (800) 527-5119 (in U.S.A. except Houston) (713) 630-0411 (in Houston and Outside U.S.A.)

2. Pursuant to the Order, only votes received by the Debtors at P.O. Box 4321, Houston, Texas 77210-4321 prior to 5:00 P.M. Central Standard Time on April 9, 1986 will be counted.

3. The Court has fixed April 28, 1986 at 9:30 A.M. as the date and time for a pre-trial conference in respect of the confirmation hearing of the Plan. All creditors and equity security holders may, but are not required to, attend such pre-trial conference. The pre-trial conference will be held in Courtroom 1 of the United States Courthouse, 515 Rusk Avenue, Houston, Texas and may be adjourned from time to time without further notice except for an announcement at such pre-trial conference.

4. The Court has fixed April 29, 1986 at 10:00 A.M. as the date and time for the hearing on confirmation of the Plan (the "Confirmation Hearing"). Creditors and equity security holders may, but are not required to, attend the Confirmation Hearing. The Confirmation Hearing will be held in Courtroom 1, United States Courthouse, 515 Rusk Avenue, Houston, Texas and may be adjourned from time to time without further notice except for an announcement made at the Confirmation Hearing.

5. *Objections, if any, to confirmation of the Plan must be in writing, filed with the Court, together with* proof of service, and served on the following persons no later than April 7, 1986.

(i) Continental Airlines Corporation, 2929 Allen Parkway, Houston, Texas 77019, Attention: Barry P. Simon, Esq.

(ii) Weil, Gotshal & Manges, Attorneys for the Debtors, 767 Fifth Avenue, New York, New York 10153, Attention: Bruce R. Zirinsky, Esq.

(iii) Weil, Gotshal & Manges, Attorneys for the Debtors, 1600 RepublicBank Center, Houston, Texas 77002, Attention: Bruce R. Zirinsky, Esq.

(iv) Dotson, Babcock & Scofield, Attorneys for the Unsecured Creditors' Committee, 4200 InterFirst Plaza, Houston, Texas 77002, Attention: William M. Schultz, Esq.

(v) Bishop, Liberman & Cook, Attorneys for the Texas International Airlines, Inc. Public Debtholders' Committee, 1155 Avenue of the Americas, New York, New York 10036, Attention: David Stromwasser, Esq.

(vi) Booth, Marcus & Pierce, Attorneys for the Union Labor and Pension Creditors' Committee, 79 Fifth Avenue, New York, New York 10003, Attention: Claude Montgomery, Esq.

(vii) Ervin, Cohen & Jessup, Attorneys for the Non-Union Labor and Pension Creditors' Committee, 9401 Wilshire Blvd., Beverly Hills, California 90212, Attention: Clifford Brown, Esq.

(viii) Andrews & Kurth, Attorneys for the Institutional Creditors, 4200 Texas Commerce Tower, Houston, Texas 77002, Attention: Hugh M. Ray, Esq.

(ix) Milbank, Tweed, Hadley & McCloy, Attorneys for the Chase Manhattan Bank, N.A., as Agent, 1825 Eye Street, N.W., Washington, D.C. 20006, Attention: Glenn S. Gerstell, Esq.

6. SPECIAL NOTICE TO HOLDERS OF TEXAS INTERNATIONAL AIRLINES CAPITAL N.V. GUARANTEED FLOATING RATE NOTES DUE 1986 ("Eurobonds"):

Holders of Eurobonds may obtain a Plan, Disclosure Statement and ballot, together with voting instructions from Continental Airlines at the telephone numbers set forth in paragraph "1" or by contacting any of the following:

Euroclear Operations Centre, PLC, c/o Morgan Guaranty Trust Company, Rue de la Regence #4, B-1000 Brussels, Belgium, Attn: Special Transactions Group

Cedel S.A., 67 Bd Gr. D. Charlotte, P.O. Box 1006, Luxembourg, Attn: M. Gerin, Operations Department

J. Henry Schroder Bank & Trust Co., One State Street, New York, New York 10015, U.S.A., Attn: Corporate Trust Department

If you wish to vote on the Plan, you should obtain the necessary documents as quickly as possible.

Dated: Houston, Texas
February 12, 1986

BY ORDER OF THE COURT
/s/ T. Glover Roberts
United States Bankruptcy Judge
United States Courthouse
515 Rusk Street
Houston, Texas 77002

WEIL, GOTSHAL & MANGES
Attorneys for the Debtors
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

FT COMMERCIAL LAW REPORTS

Actuary's certificate upheld

IN RE IMPERIAL FOODS *PENSION SCHEME*
Chancery Division: Mr Justice Walton: February 7, 1986

WHERE A company pension fund includes *surplus* which need not be used for the benefit of scheme-members, actuarial valuation on a "share of the fund" basis would be inappropriate in calculating what portion of the fund is to transferred with certain members to another company; and valuation on a past service reserve basis which allows for future pay increases and which maintains the expectations of transferring and remaining scheme-members cannot be set aside in the absence of mistake or improper motive on the actuary's part.

Mr Justice Walton so held when dismissing a claim by Hillsdown Holdings Ltd and others against Imperial Foods Ltd and others, for a declaration that the portion of Imperial's pension fund to be transferred with certain scheme-members to Hillsdown should be calculated on a share of fund basis. The Imperial trustees succeeded on a counterclaim for a declaration that an actual valuation of the portion based on past service reserve was valid.

HIS LORDSHIP said that a voluntary trust scheme was made on June 5 1980 covering the employees of Imperial and its subsidiaries. The companies met the cost of providing benefits in excess of amounts paid by members.

Under the terms of the scheme if a company ceased to be a subsidiary of Imperial the trustees were to set aside a portion ("the separated portion") of the fund for transfer to a new scheme or to an existing scheme, or to be dealt with as if the scheme were being dissolved.

The separated portion was to be determined by the duly appointed actuary, Mr L. J. Martin, "and shall be such portion of the fund as shall in all the circumstances appear to him to be appropriate at the time the subsidiary company ceases to be a subsidiary."

Imperial had two subsidiaries, Allied Farm Foods and J. B. Eastwood. On April 1 1981 it agreed to sell their entire issued share capital to Hillsdown Holdings.

Hillsdown covenanted that employees remaining in the service of the subsidiaries at completion date should be offered membership of a new retirement scheme, established for their benefit. It agreed that the separated portion under the Imperial scheme should be earmarked exclusively for the benefit of the transferring employees.

Allied and Eastwood ceased to be Imperial subsidiaries on May 18 1982 and the Hillsdown trust deed was made on October 28 1982. Mr Martin certified the amount of the separated portion based on the situation as at May 18 1982.

The question was whether it was possible to challenge that certificate on the ground that Mr Martin used a wrong method of calculation.

In his report Mr Martin, without attempting to be exhaustive, said the methods by which the separated portion might be calculated included: (1) number of members; (2) cash accumulations; (3) value of accrued rights calculated by reference to current salaries; (4) past service reserve with allowance for future salary and pension increases; (5) total past and future service reserve methods; (6) share of fund.

He said that within each of those basic methods there was a whole range of assumptions, for example, interest, inflation, mortality, salary progressions, etc., which very *materially* affected the result. He used method (4), "past service reserve." Mr Felton, actuary on the Hillsdown side, favoured method (6), "share of fund."

Mr Martin said that by method (4) the value of the benefits accrued to date was calculated not by reference to salaries at calculation date, but to anticipated salaries at retirement. The *assets in the fund* would be more than sufficient to meet all accrued liabilities including allowance for future pay and e measure of pension increases. It would not be unfair to continu*ing members to adopt that basis* since there would be more than sufficient to provide anticipated benefits for all concerned.

Furthermore, he said, all members of the scheme, whether *remaining or transferring*, had a reasonable expectation that their future pensions would benefit from future pay increases, and their expectations were not reduced.

He therefore concluded that a separated portion based on past service reserve with allowance for future pay and pension increases was appropriate.

The basis adopted was gener*ous in that it preserved for* transferring members not only their strict contractual rights but a considerable surround of likely increases and additional discretionary benefits.

According to Mr Felton that was not generous enough. He proposed that one should take the actuarial value of the liabilities of the scheme for service to May 18 1982 attributable to *transferring* members, and the actuarial value of the liabilities for service to May 18 1982 attributable to the whole membership including transferring members, and should then calculate the separate portion by taking the same proportion thereof as the first calculation bore to the second.

That method would produce more for the transferring members because there was, on May 18 1982, a "surplus" in the fund, representing additional *payments made by the companies* above and beyond a balance of cost.

It was not the court's function to determine which of the two methods would be more applicable in circumstances like the present, unless Mr Martin's certificate could be impeached.

The principle on which a valuation certificate could be impeached was well-settled. In *Dean v Prince [1954] Ch 409, 418* Sir Raymond Evershed MR said that the court must act on the valuation "unless there be proof of some mistake, or some improper motive."

It could not be argued that *Mr Martin failed to take into* account all the circumstances which he ought to have taken into account; and it had been *conceded that if his method were* correct, the parameters which he *took as the basis of his calculations* were correct.

What was said was that the "share of fund" method would produce greater equality between continuing and transfer*ring members, and it was there*fore the more appropriate method.

That was a matter on which there was a great division of opinion among actuaries. As the *only* conceivable "*mistake*" which Mr Martin was alleged to have made was a matter of opinion, it was clear that Hillsdown had shown no ground in law for upsetting his carefully-*worded certificate*.

Indeed, Mr Felton had said: "It is a view which can be held by a competent actuary." Those few words of admission were really an end to Hillsdown's case *on the point*.

Even assuming the question of choice between the two methods had been one for the court, Mr Felton's submissions would not have been convincing.

The difference between the two was that adoption of the share fund method froze at e particular moment a purely notional surplus over and above the amount necessary to fund the future actuarial expectations of transferring members, whereas it did no such thing for the benefit of remaining members.

What was called a "surplus" represented temporary surplus funding by the employing company. Members were all going to have their expected benefits when due. They might well hope that the company would expend some of the surplus on increasing benefits to them, but if it did it would benefit its own employees and there could be no reason why it should wish to benefit persons who had already left its service.

There was no certainty that the surplus would be used for members' benefit. Also, it was a continuing fund. If the surplus did produce any benefits, continuing members must share with later entrants.

The fallacy in Mr Felton's view was that he was, in effect, assuming that the fund existing at moment of separation belonged exclusively to the continuing and transferring members and to nobody else. *That was not* the case.

There had been no pretence that the past service reserve method did not adequately meet the entitlement and expectations of the separating members; nor that continuing members had their strict settlement and realistic expectations altered in any manner.

What was said was that those might possibly have improved in the future against e background where, even if the surplus remained absolutely constant throughout the life of the fund, there was no certainty that any of it would ever be applied for *members' benefit*.

Had the court had to decide which method was in the circumstances, properly applicable, it would have had no hesitation in deciding there was no contest.

The *function of an actuary* in any given situation not governed precisely by the provisions of the trust deed was to achieve the greatest possible degree of fairness between the various per*sons interested* in the *scheme*. Because the share fund method would produce precisely the opposite effect, it would have been rejected.

Under the terms of the trust *the correct date for determina*tion of the separated portion was the date when the subsidiary ceased to be a subsidiary.

Contrary to those provisions, since the Hillsdown scheme was not ready, the transferring members were retained as members of the Imperial scheme until it was ready, in November 1982. Then those who wished to transfer all transferred.

In *the interim period*, however, a large number who would have been in a position to transfer never did. When they dropped out they received benefits under the Imperial scheme. *Nothing in respect of them fell* to be included in the separated portion.

For Hillsdown and transferring scheme-members: Nigel Inglis-Jones QC and John Stephens (Nabarro Nathanson).

For the Imperial trustees and pensions committee: Edward Nugee QC and Nicholas Warren (Trower, Still & Keeling).

For Imperial and continuing scheme-members: Gavin Lightman QC and John Whittaker (D. W. Brush).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,957

ACROSS

1 They ring for service (6, 5)
7 Repeatedly put one's oar in (3)
9 Where a saint still has some standing (5)
10 Procrastinate when it's time to get up (9)
11 Agitated farm animal that is caught in a net, perhaps (9)
12 It isn't corruption; it is corruption (5)
13 Unbridled lust's an essential for Eastern rulers (7)
15 Exploit that should be witnessed (4)
18 Untidy place to note as an eyesore (4)
20 He sounds like a wheeler-dealer (7)
23 Arm for an armed hold-up (5)
24 Be so close to date, perhaps (9)
26 On paper, it makes things look very black (6, 3)
27 Charles I was an old woman! (5)
28 Pull to one side (3)
29 Over-weight chap who puffs a lot? (5, 6)

DOWN

1 Foreign title an advantage? No, many give it up (8)
2 Stumbling upon clue for "disconnect" (8)
3 Hundred small river fish in the basket (5)
4 Yet they're often put into bowl (7)
5 Restricted to one sort of company (7)
6 Badly thrashed, nothing! It couldn't be closer (5, 4)
7 Fruit is seen in the fall (6)
8 Sad reminder from the war (6)
14 The sign of a celebrity (9)
16 Gun-part that's been in the gunsmith's a long time? (3, 5)
17 A priceless local attraction (4, 4)
19 Girl about to turn up sexual material (7)
20 Opener to achieve success on the pitch (7)
21 Beast of burden given first aid (6)
22 Light breeze round the West (6)
25 A substitute for healing, perhaps (5)

Solution to Puzzle No. 5,956

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	124.5	133.2	+0.7	0.90
Income & Growth	52.0	55.5	+1.1	3.90
Special Situations	72.5	77.6	+2.2	4.40
American Growth	32.4	34.7	−0.1	0.70
Japan Growth	41.3	44.2	+0.2	0.00
European Growth	53.5	57.0xd	+0.9	2.30
UK Growth	49.4	52.9	+1.6	0.80
Pacific Growth	35.5	38.0	−0.2	0.10
High Income	29.3	31.6	+0.2	0.40
Practical Income Units	47.4	50.4	+0.4	2.30
Practical Accum. Units	85.2	90.7	+0.8	2.30

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	80.7	86.8	+1.2	2.66
Accum Units	119.2	128.8	+1.8	2.66
Pearl Inc.	107.7	114.6	+1.5	4.35
Pearl Unit Tst.	114.6	121.9	+1.3	3.42
(Accum. Units)	196.2	208.7	+2.3	3.42
Pearl Intl Equity	110.2	117.2	+1.0	1.71
(Accum Units)	110.2	117.3	+7.0	7.71

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	240.6	258.2	+6.4	1.30
Income	173.4	185.7	+4.8	5.14
Worldwide Recovery	136.8	146.8	+4.2	1.94
American Growth	66.7	71.2	+0.9	1.02
Intl. Emerging Cos.	72.1	77.4	+1.2	0.6F
Far East Growth Fd.	58.0	62.3	−0.2	1.10
European Growth Fd.	51.7	55.5	−0.1	2.0

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc.	53.8	57.2xd	+0.2	4.84
Prolific Far East	125.6	135.1	+0.1	0.32
Prolific Extra Inc.	75.5	80.1	+1.3	5.03
Prolific C'vert & Gilt	87.0	92.3xd	+1.4	5.89
Prolific High Inc.	160.2	169.9	+2.0	4.34
Prolific Inc.	97.3	104.8	+1.1	7.95
Prolific N. Amer.	133.7	143.8	+1.0	2.11
Prolific Spec. Sits.	179.5	190.1	+2.8	1.11
Prolific Technology	112.3	120.8	+1.4	0.74

Providence Capitol Fd. Mgrs. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh — 031-226 3271

American Fund	210.4	224.1	+0.6	2.14
(Accum. Units)	236.3	251.7	+0.7	2.14
(Withdrawal Units)	152.1	162.2	+0.4	2.14
Australian Fund	112.4	119.7	−0.3	0.97
(Accum. Units)	113.6	121.0	−0.3	0.97
British Fund	524.2	558.3	+3.3	4.30
(Accum. Units)	697.7	743.1	+4.3	4.30
European Fund	238.4	253.4	+2.0	0.95
(Accum. Units)	251.0	267.4	+2.1	0.95
Japan Fund	237.9	253.4	+0.7	0.40
(Accum. Units)	238.6	254.2	+0.8	0.40
Swiss PPP	146.6	154.4		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham — 0403 56293

Equity Tst.	361.4	384.6	+6.0	2.43
North America	54.5	57.9	−0.2	1.90
Far East	60.3	64.1	+0.1	1.37

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU — 01-606 6010

American Growth Acc.	28.2	30.0xd	+0.1	1.7
American Income Acc.	27.9	29.7xd		4.2
American Income Inc.	27.6	29.4xd		4.3
European Growth Acc.	43.3	46.1	+0.9	1.9
Far East Growth Acc.	31.1	33.1		0.8
Inc Growth Acc.	29.4	31.3	+0.2	0.8
Japan Growth Acc.	39.3	41.8xd	+0.2	2.1
UK Growth Acc.	33.5	35.4xd	+0.4	2.1
UK Income Acc.	28.9	30.8xd	+0.2	4.1
UK Income Inc.	28.3	30.1xd	+0.2	4.1
Managed Growth Acc.	34.4	36.6	+0.5	2.0
Managed High Yield Inc.	40.0	43.4xd	−0.2	7.0
Managed Income Inc.	30.4	32.3	+0.5	3.9

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	241.9	255.9	....	3.84
Equity Acc.*	291.0	307.9		3.84
Fixed Int. Dist.†	117.3	121.9	+4.7	11.13
Fixed Int. Acc.†	172.1	178.3	+7.0	11.13

*Prices on Feb 12. Next dealing Mar 12
†Prices on Feb 24. Next dealing March 5

TSB Unit Trusts (b) (c) (y)

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc. 11.73 8.78 13.06 Mth
Over £10,000 12.00 8.97 13.36 Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 24141
High Int Chq Acc. 12.69 9.48 13.91 Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	15
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	23
Blue Circle	50	Racal Elect	15
Boots	24	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brist. Oil & Min.	3½
Hanson Tst	18	Brit Petroleum	45
Hawker Sidd	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	50
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Ministers seek end to EEC starch row

By Ivo Dawnay in Brussels

EEC farm ministers were under pressure yesterday to conclude a long-running debate on the levels of subsidies to be fixed on agricultural inputs used by the Community's chemicals and starch industries.

Mr Gerrit Braks, the Dutch president of the Farm Council, gave notice before the two-day meeting that he would seek a conclusion to the squabble this week.

At stake is the future viability and competitiveness of industrial and biotechnology ventures using farm produce, and simultaneously the economic health of farmers growing the sugar, wheat and maize used in chemical manufacture.

Industry has warned that if the price of its inputs are substantially higher than those from competitors outside the Community, it will be unable to remain a powerful force in world markets. From the other perspective, the farm lobby insists that substantial subsidies can help them to supply product at the right price and hence absorb significant quantities of the sugar and grains mountains.

A number of key issues remained to be agreed last night, however. For the UK, officials have long insisted that a plan to phase out subsidies for starch used in food manufacture can only be accepted if certain products are exempted.

A Commission plan to remove all these subsidies on the grounds that food is already protected from foreign competition by the trade provisions of the Common Agricultural Policy is generally accepted. But London continues to insist that some specific products are not, in effect, protected and hence require further support.

About 75 per cent of UK starch is used for food, compared with a Community average of 50 per cent. And there are fears that jobs and plants could be hit by the change.

For other member states, most notably the Netherlands, concern is expressed over the treatment of potato starch support and the technical provisions made to account for fluctuating market prices for maize.

A third issue facing the ministers is how to limit the effect on starch producers of the proposals for increasing the amount of subsidised sugar made available to the chemical industry. At present, the starch producers make the bulk of sales of glucose to the chemical manufacturers. Two different subsidy systems for the two products, could create violent swings in usage, damaging the starch interest.

The question of increased subsidies for sugar sales to chemical companies also raises questions of the level of aid involved.

An Anglo-French plan, backed in varying degrees by Ireland, Portugal and West Germany, argues that sugar should be provided at prices comparable with those available on the world market, in order to keep the EEC industry technically and financially competitive. Safeguards for the starch industry would then have to be built in.

Other member states appeared unconvinced, however, when the Council began its meeting yesterday.

Palm oil prices plunge

BY JOHN BUCKLEY

PALMOIL prices plunged on international markets yesterday as the highest Malaysian winter production levels ever seen combined with surplus stocks and patchy export demand to undermine traders' confidence.

Refined and processed palmoils were selling on the fob origin market for below $260 a tonne for April/May shipment, a drop of $30 from last week and $120 below levels ruling in January.

Behind the new sell-off were private trade forecasts that February output of crude palmoil in Peninsular Malaysia will hit 285,000-290,000 tonnes against just 184,000 in February 1985. Official data for December suggest that end-January stocks of crude palmoil will climb to 670,000 tonnes to which must be added 200,000 tonnes-plus of processed oil. Many traders believe stocks are far higher, estimating the total at up to 1m tonnes.

They also fear that second largest exporter, Indonesia, which is boosting output at a dramatic pace will offload increasing surpluses on to the export market engaging Malaysia in a new price war. Pressing reasons for Indonesia to get business moving at almost any price include the slump in its petroleum export earnings at a time of depressed revenue from all her major commodities including tin, rubber, coffee and plywood. However, Indonesia is also casting an anxious eye in the direction of the Philippines where a build up of coconut oil supplies has threatened to pour on to palm export markets as the islands try to find foreign exchange to meet IMF payments. Traders tend to play down the possibility of the political crisis disrupting supplies of coconut oil, the price for which has already dropped by over $120 a tonne in the last month.

The battle for hard oil markets, palm, coconut and palm kernel, in the Far East has taken on a rough edge since India, once the largest customer for palm decided to cut imports. In recent months palm purchases have hardly figured in its weekly tendering, encouraging ever bolder bids from the few really big remaining buyers like Pakistan and Saudi Arabia. Traders describe the palmoil exporters "falling over themselves" to sell more but the buyers have sensed that they have the whip hand. Last week Pakistan was pressed to take a spate of cheap barter-tied palm offers but stuck to its initial 14,000-tonne order. While India "has refined the art of rejecting tenders" one trader said.

This cat and mouse game has had a damaging effect on the value of competing vegetable oil markets, undermining crushing margins in Europe and the US. To make matters worse a glut of Latin American sunflower seed oil has swelled the tide of surplus following a huge Argentine crop. This has cut prices for both premium oils, like groundnut, and bulk staple oils, like rapeseed and soya.

For palm exporters, who have lived by low prices and high volume for the past decade, there is likely to remain no other option but to undercut while the slump continues. However, if the market looks oversold a rush of consumer orders "could easily catch the shorts," say traders, who are looking for the market to bottom out at around $250 a tonne.

EEC studies tin plan

BY ANDREW GOWERS

HAGGLING OVER financial details of the proposed rescue plan for the tin market is set to continue today and tomorrow, following the draft agreement reached at the weekend between the International Tin Council and its creditors.

An EEC working group is to meet in Brussels today to consider the financial implications of the plan, which calls for the establishment of a new company, provisionally named Newco, with equity funding of £270m to take over the Council's 85,000 tonnes of tin stocks and sell them off over about three years.

This meeting will be followed by further discussions at a routine meeting of deputy permanent representatives of EEC member states tomorrow.

The detailed funding arrangements for Newco—which would have a six-member board, composed of two brokers, two bankers and two ITC representatives—remain under wraps. But it is understood that the outline plan agreed at the weekend only contains a range of possible financing options and that there are still difficulties over the level of contributions expected from ITC members. Ideally, the company would need £120m from the Council's 22 producing and consuming members, but the ITC has so far refused—in public at least—to put up more than £100m.

The plan has now been sent for consideration by ITC member governments and the banks and traders.

One possible avenue is that the governments might agree to raise their contribution to £110m, but this would require an additional contribution from another party to fill the gap—possibly still more money from the UK Government.

However, it remains possible that the hard-liners within the EEC—led by West Germany, the Netherlands and France—will continue to hold out against any increase in their contributions.

Loan guarantees pose a further problem. Newco needs £50m in guarantees on top of the £270m capitalisation, and it was originally envisaged that these would come from the ITC itself. However, in view of the Council members' refusal to give them, the banks apparently offered to provide £25m worth of guarantees. That leaves an additional £25m still to be found.

Brokers took some comfort yesterday from the draft agreement, but acknowledged that much work needed to be done to get Newco off the ground. "At least they're arguing about tens of millions of pounds now rather than hundreds of millions," said one.

However, some LME companies also have serious doubts over the financial projections on which Newco is based and over its viability in the absence of strictly-enforced export restrictions on ITC members.

The plan is that the company should sell off the tin stocks at an average price of £6,000 a tonne over about three years, but there are those who believe it will only fetch around £5,000.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	−3,250 to 197,275
Copper	−6,075 to 168,250
Lead	−375 to 64,175
Nickel	+12 to 6,636
Tin	−295 to 66,000
Zinc	−1,750 to 39,850
	(ounces)
Silver	−636,000 to 43,256,000

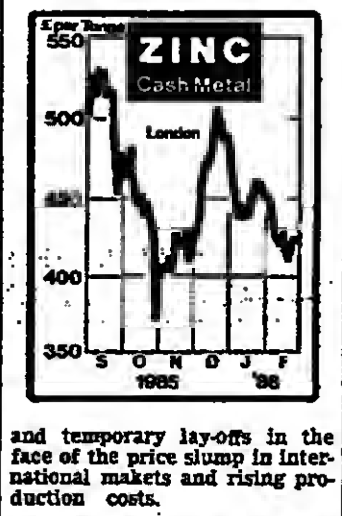
Spanish cuts plan lifts zinc

By Andrew Gowers

ZINC PRICES rose strongly yesterday on the London Metal Exchange in response to reports that Spain's largest zinc producer, Asturiana del Cinc, plans to cut exports and lay off workers.

The cash price jumped £12 to £425.50 per tonne, its largest single rise this year after weeks of dull and featureless trading.

In Madrid, Asturiana was quoted as saying it was contemplating a cutback in its output



and temporary lay-offs in the face of the price slump in international markets and rising production costs.

Asturiana is one of Europe's largest single zinc producers, with exports of 103,000 tonnes last year, production of 177,300 tonnes and estimated capacity of 200,000 tonnes.

However, market analysts in London said any production cut at Asturiana would not change the overall outlook for zinc, and that yesterday's price movement was likely to prove a flash in the pan.

"The market remains undermined by over-supply," said traders Rudolf Wolff in their weekly market report. "Consumer stocks are reported to be high and traders are not expecting any renewed interest from them until the second quarter."

Concorde flight to World Cup final

CONCORDE, flagship of British Airways, is to fly to Mexico for the first time carrying spectators for the World Cup final.

Sports World Travel Group plans to fill the 100 seater jet as part of a three-night luxury holiday break costing £3,475 in Las Brisas, Acapulco. The main attraction, said Mr Michael Norris, Sportsworld's marketing director, will be seats at the soccer final.

Cold reception for early lambs

FARMER'S VIEWPOINT
By John Cherrington

THIS FEBRUARY, I am told, has so far been the seventh coldest since 1795—and in the south of England it has certainly felt like it. Livestock producers have had a fairly miserable time. Although most animals can stand very cold weather indeed, they must have enough to eat and drink; and providing sufficient water has been the first problem.

The penetrating easterly wind seems to drive the frost through any chink and once it makes contact with a water pipe soon freezes it. This is what is called in the US a wind chill factor and there it is measured to determine the real effect of frost. The meteorological people here do not publish this statistic but last year a neighbour took his thermometer out to check it and found that 15 degrees farenheit of frost in still air turned to 50 degrees in the wind.

Adult cattle and sheep and even pigs will stand this sort of thing as long as they can get out of the actual blast. But new born lambs have to be quickly dried by their mothers or put into shelter if they are to survive. This can be quite a job. Even the most sheltered field will have exposed areas and the ewes, themselves well protected by their fleeces, seem to take a perverse delight in lambing in the most exposed places.

It is, of course, possible to keep the ewes under cover during lambing, but this entails a night shift because if a ewe lambs among a number of others the lambs can get mis-mothered, leading to all sorts of trouble. I do though have the facilities for getting the immediately lambing flock under cover if I have to.

But I only resort to this if the weather is appalling; otherwise I believe the flock is better out of doors, because there are problems of infection with salmonella and other diseases both for the ewes and the lambs if they are too closely confined.

I use a large barn as a recovery unit where any lambs showing signs of problems are brought with their ewes and put on their feet. They are not allowed out again until things are satisfactory. Even so I have noted that of the lambs which die in infancy — say up to 14 days old — the great majority have been inside of some time.

The ewes have wintered extremely well, last autumn's grass must have been of excellent quality and they were almost too fat at the end of January. This is a very dangerous time because should there be a spell of hard weather which finishes off the grass there is a possibility of a metabolic disease — known as twin lamb disease, because the majority of those affected are carrying twins. The symptom is coma and cures are not easy.

To avoid this disease the transition between herbage feeding and hay and compound feed has to be carefully made so that the ewes do not get the sudden break which overnight snow, for instance, can cause in the grass supply. This time I managed to get the ewes used to hay and compound feeding before the hard weather came on and I have only had two cases, both of which have yielded to treatment.

Incidentally, in spite of last year's dreadful summer there seems to be no shortage of hay. At a local hay sale only half the lots offered were sold, and it has been the same elsewhere in the country. Even the hill farmers have been able to get supplies, I gather, and the panic about feed shortage which was evident last year does not seem to have been entirely justified.

The snow of itself did little damage. The ground it covered was only a little frozen and the snow, if anything, protected the grass and crops. But it melted quite quickly on my farm and that let in the wind which has shrivelled everything up. Over the last three weeks the green sheen of the young grass and cereals has given way to a nasty browny blue. However, when walking over some wheat the other day I noted that, although the leaves looked very sick, the plants themselves seemed to be alive and well rooted.

The danger period comes when the frost goes out. Should it end with heavy rain or melting snow the soil will probably consolidated around the plants and they will start growing. But should the frost go out to dry conditions there will be a lot of evaporation and the wheat will probably have to be rolled almost immediately to avoid the frost lift which could kill it.

This is quite a serious danger. In the Champagne district of France a very large acreage of wheat was killed some years ago and I believe a considerable acreage in the south of England on similar land to the Champagne—a light chalky soil—could be at risk. On Salisbury Plain quite a lot of wheat is looking very thin on the whitish soils.

It is ironical that the very conditions of drying soil which might kill off some of the wheat are ideal for spring cereals, particularly barley. My land has a good deal of clay in it and the ideal pre-sowing treatment is a hard frost which goes out dry so that the furrows only need a light stroke of the harrows to make a perfect seedbed for next harvest's barley crop.

While I was finishing this article the first two of my ewes to lamb have produced triplets. They are a bit small, being a week before the due time, but quite healthy. If the rest of the flock go on at this rate there could be serious problems in the mothering-up barn because with her two teats, a ewe can only comfortably care for twins. Anyway it is nice to see that the sheep are doing their stuff. I hope the weather will oblige as well before too long.

LONDON MARKETS

THE PLATINUM market's recent strength was fully maintained yesterday as the London price rose above $400 an oz for the first time in two years. With tension in the Philippines adding to the nervousness of the market, which has been boosted recently by industrial problems at Impala Platinum of South Africa (the world's second biggest producer), the price ended at $405.50 a troy oz, adding $13.65 to last week's $36.35 advance. It also widened its premium over gold, which lagged behind with a $2.75 rise to $341.25 an oz. The coffee market also remained strong as speculative buying was encouraged by bullish chart patterns and a firmer tone in New York. The May position, which rose £209 last week, gained another £128.50 to £2,555 a tonne. Though the market remains more than £500 below its early-January peak dealers suggested yesterday that it had now "built a firm base" from which to mount a sustainable rally. Apart from zinc, which was boosted by reports of a planned output cut by a Spanish producer, base metals prices on the London Metal Exchange were little changed.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial + or close (p.m.) − £ per tonne	High/low
Cash	783.5-4.5 +4	778/778
3 months	810-.5 +4	812.5/808

Official closing (am): Cash 779-80 (775.5-6); three months 805-.5 (802-.5); settlement 780 (776). Final Kerb close: 807.5-8. Turnover: 15,575 tonnes.

COPPER

	Unofficial + or close − £ per tonne	High/low
Higher grade		
Cash	[illegible]	964
3 months	[illegible]	[illegible]

Official closing (am): [illegible]. Turnover: [illegible]. US Producer prices 67-71 cents per pound.

LEAD

	Unofficial + or close (p.m.) − £ per tonne	High/low
Cash	254.5-.5 +0.25	255
3 months	264.5-.75 −.13	265/264

Official closing (am): [illegible]. US Spot: 17.75-20 cents per pound.

TIN

Kuala Lumpur Tin Market—Close 20.45 ringgit per kg, up 19 ringgit.

NICKEL

	Unofficial + or close (p.m.) − £ per month	High/low
Cash	[illegible]	[illegible]
3 months	[illegible]	[illegible]

Official closing (am): [illegible]. Turnover: 2,226 tonnes.

ZINC

	Unofficial + or close (p.m.) − £ per month	High/low
High grade		
Cash	425.5 +12	
3 months	435.5 +11.5	440/434

Official closing (am): Cash 427-.8 (410-2); three months 435-.5 (421.5-2); settlement 427.5 (412). Final Kerb close: 435-.5. Turnover: 6,850 tonnes. US Prime Western: 30.50-35.75 cents per pound.

GOLD

Gold gained $2¾ to $341-341½ on the London bullion market yesterday. The metal tended to move in line with platinum, where a strong, early rise was followed by profit-taking. Gold opened at $342-342½ and touched a peak of $343½-344¼. It was fixed at $343.35 in the morning and $341.80 in the afternoon. The lowest point touched was $340-340½.

GOLD BULLION (fine ounce) Feb. 24

Close	$341-341½
Opening	$342-342½
M'ning fix	$343.35
Aft'n'n fix	$341.80

GOLD AND PLATINUM COINS

Kr'g'r'nd	[illegible]
½ Krug.	[illegible]
¼ Krug.	[illegible]
1/10 Krug.	[illegible]
Mapleleaf	[illegible]
Angel	[illegible]
1/10 Angel	[illegible]
New Sov.	[illegible]
½ New Sov.	[illegible]
Old Sov.	[illegible]
$20 Eagle	[illegible]
Noble Plat	[illegible]

SILVER

Silver was fixed 2.65p an ounce lower for spot delivery in the London bullion market yesterday at 404.25p. US cent equivalents of the fixing levels were: spot 591c, up 3c; three-month 601.25c, up 3.15c; six-month 613.5c, up 3.75c; and 12-month 636c, up 4.35c. The metal opened at 404½-405½p ($591-592c) and closed at 401½-403½p ($587-589c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	404.25p	−2.65	401.5p	−3
3 months	413.95p	−2.75	413.5p	−3
6 months	427.75p	−2.75		
12 months	451.30p	−2.75		

LME—Turnover: 13 (14) lots of 10,000 ozs.

Three months high 416p, low 415p, final kerb 412-4p.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing February 17 amounted to 770 tonnes against 1,205 tonnes in the previous week. Operations ranged over Sudanese, Pakistani, Israeli, West African and American varieties.

INDICES

FINANCIAL TIMES

Feb. 21	Feb. 20	M'th ago	Year ago
[illegible]	[illegible]	[illegible]	297.65

(Base: July 1 1952=100)

REUTERS

Feb. 24	Feb. 21	M'th ago	Year ago
1809.6	1817.7	1844.8	2085.1

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Feb.	Feb.	Month ago	Year ago
Spot	127.14	126.58	[illegible]	119.43
Fut.	109.74	101.57	[illegible]	160.76

(Base: December 31 1931 = 100)

* Not available due to suspension of tin LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Feb. 24 1986	+ or −	Month ago
METALS			
Aluminium	[illegible]		
Free Market	[illegible]		
Copper			
Cash h Grade	£966.5	−0.5	£1028.5
3 mths	£988.75	+0.5	£1048.25
Gold Troy oz	$341.25	+2.75	$356.125
Lead Cash	£254.75	+0.38	£261.5
3 mths	£264.6	−0.12	£274.5
Nickel	[illegible]		
Free Mkt	[illegible]		
Palladium oz	$105.85		$106.25
Platinum oz	$405.50	+14.85	$376.50
Quicksilver	$280/$95		$210/220
Silver troy oz	404.25p	−2.65	459.10p
3 months	413.65p	−2.75	466.80p
Tin cash			
3 months			
Tungsten	$66.25		$63.71
Wolfram 22.0lb	$58/63		$65/61
Zinc	£425.5	+12	£456.5
3 months	£436.25	+11.75	£474.5
producers	$650/675		$650/700
OILS			
Coconut (Phil)	$310w		$345
Palm Malayan	$275x	−5	$380
SEEDS			
Copra Phil	$200		$230
Soyabean (U.S.)	$225.5y	+0.75	$227
GRAINS			
Barley Fut. May	£118.50	+0.55	£116.45
Maize	£138.00		£138.00
Wheat Fut. May	£118.30	−0.10	£116.85
No. 2 Hard Wint.			
OTHERS			
Cocoa Ft. May	£1801.5	+1	£1763.5
Coffee Ft. May	£2558	+128.5	£2611.5
Cotton A Index	54.65c	−0.1	55.70c
Gas Oil Apr.	$181	+7.5	$181.5
Rubber (kilo)	59p	−0.5	65p
Sugar (raw)	$146.5w		$134
Wooltops 64s	433p kilo		406p kilo

‡ Unquoted. † Per 75-lb flask. c Cents per pound. y March. w Feb-March. z March-April. x April.

MEAT

Prices closed little changed in thin volume, reports Eastern Capital CCST. Pigmeat sales: 2 (1) lots of 50 carcases, 3,250 kg. Beef sales: 2 (0) lots of 20 sides.

PIGMEAT Month	Y'day's close	+ or −	BEEF Y'day's close	+ or −
	p. per kilo (deadweight)			
Mar.	102.50			
April	103.00	−0.50	186.00	−
June	103.00		186.00	
July	100.00		188.00	
Aug.	103.00	+0.50	186.00	−0.20
Sept.	103.00	+0.50	186.50	
Oct.	103.00	+0.50	189.00	

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, 97.08p per kg lw (+0.05). GB—Sheep, 199.03p per kg est dcw (+13.54). GB—Pigs, 76.48p per kg lw (+1.59).

COCOA

Failing to find inspiration for any major price move, futures drifted in a narrow band through a featureless day and closed virtually unchanged. Physicals failed to attract any origin interest but good scale-down consumer business was seen, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	1694-1695	+8.0	1695-1684
May	1801-1802	+1.0	1805-1797
July	1832-1833	+5.0	1836-1828
Sept	1860-1861	+5.0	1863-1856
Dec	1896-1897	−3.5	1900-1892
March	1702-1723	−5.0	1730-1725
May	1740-1742	−7.5	1741

Sales: 2,071 (3,497) lots of 10 tonnes. ICCO indicator prices (US cents per pound). Daily price for February 24: 101.57 (100.61); five-day average for February 25: 101.76 (101.61).

COFFEE

Despite a weakening US dollar robustas moved steadily upwards from the opening on a mixture of charting, jobber and commission house buying, reports Drexel Burnham Lambert. In the afternoon prices in New York were immediately substantially higher and the London market's continued strength was underpinned by enquiry for spot coffee in the physical market.

COFFEE	Yesterday's Close	+ or −	Business Done
March	2594-95	+154.5	2595-2465
May	2555-60	+128.5	2558-2415
July	2750-51	+113.5	2750-2414
Sept.	2750-65	+115.0	2770-2710
Nov.	2785-96	+71.0	2725-2755
Jan.	2725-2735	+41.3	2725-2730
March	2690-2750	+64.0	—

Sales: 7,716 (4,392) lots of 5 tonnes. ICO indicator prices (US cents per pound) for February 21: Comp. daily 1979 200.95 (198.33); 15-day average 189.23 (187.63).

FREIGHT FUTURES

The physical market was again devoid of fresh news leaving dry cargo futures values to ease further as the recent pattern of gradual declines continued. Although the tanker market volume was thin, sharp gains were recorded on nearby futures against the background of a firmer product market, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
April	835/838	840/835	845/848
July	752/755	755/754	760/762
Oct.	845/855	847/843	855/860
Jan.	860/895		868/880
April	925/945		930/945
July	820/840		825/850
Oct.	930/955		935/955
Jan.	945/965		950/965
BFI	748		749

Turnover 171 (222).

	Close	High/Low	Prev.
	Tankers		
Mar.	769/780	769/763	750/765
April	755/762	760/759	740/750
May	750/770		740/750
June	750/780		745/780
Sept.	880/960		
Dec.	850/1000		800/850
BTI	799		787

Turnover: 45 (75).

RUBBER

PHYSICALS—The London Market opened sharply lower, attracted little interest at these levels and closed quiet, reports Lewis and Peat. Closing prices (buyers) spot 63.00p (63.50p); April 63.25p (64.00p); May 63.75p. The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 203.5 (205.5) and for SMR 20 203.0 (205.0).

US MARKETS

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	[illegible]			[illegible]
March	[illegible]			[illegible]
April	[illegible]			
May	[illegible]			
July	[illegible]			
Sept	[illegible]			
Dec	[illegible]			
Jan	[illegible]			
March	[illegible]			
May	[illegible]			

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	[illegible]			
May	[illegible]			
July	[illegible]			
Sept	[illegible]			
Dec	[illegible]			
March	[illegible]			
May	[illegible]			

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	[illegible]			
May	[illegible]			
July	[illegible]			
Sept	[illegible]			
Dec	[illegible]			
March	[illegible]			
May	[illegible]			
July	[illegible]			

COPPER 25,000 lb, cents/lb

[illegible]

COTTON 50,000 lb, cents/lb

[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

[illegible]

GOLD 100 troy oz, $/troy oz

[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

[illegible]

ORANGE JUICE 15,000 lb, cents/lb

[illegible]

PLATINUM 50 troy oz, $/troy oz

[illegible]

SILVER 5,000 troy oz, cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

[illegible]

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

[illegible]

LIVE HOGS 30,000 lbs, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56 lb bushel

[illegible]

PORK BELLIES 38,000 lbs, cents/lb

[illegible]

SOYABEANS 5,000 bu min, cents/60 lb bushel

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

SOYABEAN OIL 60,000 lbs, cents/lb

[illegible]

WHEAT 5,000 bu min, cents/60 lb bushel

[illegible]

SPOT PRICES—Chicago loose lard [illegible] cents per pound. Handy and Harman silver bullion 587.5 (588.0) cents per troy ounce.

SOYABEAN MEAL

Prices traded between 50p down and unchanged throughout the day in featureless conditions and thin volume, reports Muirpace.

[illegible]

Sales: 34 (67) lots of 20 tonnes.

GRAINS

[illegible]

Sales: 1,249 (988) lots of 40 tonnes.

Business done—Wheat: [illegible]. Barley: [illegible].

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent [illegible]. Maize: US no 3 yellow/French [illegible]. Barley: English feed fob [illegible].

HGCA—Locational ex-farm spot prices. Feed Barley: Eastern 111.90, E. Mids 113.00, Scotland 111.10. The UK monetary coefficient for the week beginning Monday March 3 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

SUGAR

LONDON DAILY PRICE—Raw sugar $146.50 (£100.50), unchanged (down £1.00) a tonne for February-March delivery. White sugar $176.00, unchanged.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar.	[illegible]	[illegible]	
May	[illegible]	[illegible]	
Aug.	[illegible]	[illegible]	
Oct.	[illegible]	[illegible]	
Dec.	[illegible]	[illegible]	
Mar.	[illegible]	[illegible]	

Sales: 880 (745) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £203.00 (£205.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for February 21: Daily price 5.85 (5.86); 15-day average 5.49 (5.47).

PARIS—(FFr per tonne): May 1260/1264, Aug 1290/1295, Oct 1320/1324, Dec 1360/1374, March 1415/1429, May 1460/1480.

POTATOES

UK physical quotes £5-£10 firmer and rumours that Dutch potatoes destined for February delivery had been rejected for FMB resulted in London opening £1.50 higher and registering further gains of £3.00. The uncovered position for April continued to increase, encouraging speculation over a technical squeeze towards contract maturity, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr.	96.00	91.50	[illegible]
May	106.50	102.50	[illegible]
Nov.	78.00	77.10	[illegible]
Feb.	85.00	84.00	
Apr.	104.00	103.50	

Sales: [illegible] lots of 40 tonnes.

OIL

In thin trading Brent gained about 30 cents. March Brent commands a premium of $2.50 over April. On Nymex April WTI opened 72c up and traded at $14.25 up at 1:15 pm EST. Gas oil and fuel oil firmed as cold weather and limited product supplies firmed offer levels. Gasoline and naphtha continued to weaken on oversupply and thin buying interest—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—March		
Arab Light	—	
Arab Heavy	—	
Dubai	[illegible]	
Brent Blend	[illegible]	
W.T.I. (1 pm est)	[illegible]	
Forcados (Nigeria)	[illegible]	
Urals (cif N'WE)	—	

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

Premium gasoline	[illegible]	
Gas Oil	[illegible]	
Heavy fuel oil	[illegible]	
Naphtha	[illegible]	

GAS OIL FUTURES

Month	Yesterday's close	+ or −	Business Done
	$ US per tonne		
Mar.	[illegible]		
Apr.	[illegible]		
May	[illegible]		
June	[illegible]		
July	[illegible]		
Aug	[illegible]		
Sep.	[illegible]		

Turnover: 45 (75).

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel (Close, change, business done): index 1456, −0.47; April 14.40-15.10; May 14.00-14.50; June 13.55-14.50; July 13.60-14.50.

Turnover: 0 (0) lots of 1,000 barrels.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls to new lows

The dollar finished near its weakest levels of the day against the D-mark, Swiss franc, and sterling on the London foreign exchange market yesterday. There were no new factors, but speculation about lower US interest rates was strengthened when the Federal Reserve intervened to add liquidity to the New York banking system, when Federal funds were trading at 7¾ per cent. There is also a general belief the Reagan Administration is happy to see a decline in the value of the dollar, and as long as this remains orderly the central banks will not intervene. The only doubt concerns the Japanese yen, which traded steadily yesterday, after the Japanese prime minister appeared to set a base of Y180 for the dollar/yen rate last week.

The dollar fell to DM 2.2820 from DM 2.3075, the lowest since May 1982; to SFr 1.9010 from SFr 1.9345, the lowest since May 1982; and FFr 7.0225 from FFr 7.09, the worst since March 1983. It also declined to Y182.25 from Y182.90.

On Bank of England figures the dollar's index fell to 118.7 from 119.2.

STERLING — Trading range against the dollar in 1985-86 is 1.4885 to 1.0525. January average 1.4236. Exchange rate index rose 0.4 to 74.9, compared with 80.2 six months ago.

Sterling rose to its highest level this year against the dollar, gaining 1.65 cents to $1.4630-$1.4640, the highest close since December 6, 1985. The pound showed mixed changes against other major currencies but tended to move in line with the D-mark led EMS block. It was unchanged at DM 3.34 and rose to FFr 10.2775 from FFr 10.26, and Y266.75 from Y264.75, but fell to SFr 2.7825 from SFr 2.80.

DEUTSCHE MARK — Trading range against the dollar in 1985-1986 is 3.4510 to 2.2820. January average 2.4392. Exchange rate index 133.9 against 127.2 six months ago.

The Deutsche Mark rose against the dollar, against a background of weak sentiment for the US currency and expectations of lower US interest rates. Trading was quiet, with the dollar falling to DM 2.29 at the Frankfurt close from DM 2.30625 on Friday. Earlier in the day the German Bundesbank did not intervene when the dollar was fixed at DM 2.2880. News that Japanese banks are to cut long-term prime rates to record lows, increased speculation that both the Bank of Japan and Bundesbank would soon cut their discount rates. The average German public authority yield fell to 6.02 per cent from 6.10 per cent, the lowest level since October 1978. Sterling was strong, rising to DM 3.3490 from DM 3.3355.

JAPANESE YEN — Trading range against the dollar in 1985-1986 is 263.15 to 179.25. January average 199.95. Exchange rate index 189.6 against 156.9 six months ago.

The yen improved slightly against the dollar in subdued trading on the Tokyo foreign exchange. The dollar fell to Y182.70 from Y183.35, but dealers were reluctant to take out positions against the US currency following the comment last Friday from Mr Yasuhiro Nakasone, the Japanese Prime Minister, that the dollar had reached a low of around Y180. After opening at the day's low of Y182.10, the dollar touched a high of Y183.15. There were no new factors, but dealers detected a trend to buy D-marks against the yen, on nervousness about the crisis in the Philippines.

£ IN NEW YORK

Latest	Feb. 24	Prev. close
£ Spot	$1.4740-1.4760	$1.4545-1.4555
1 month	0.53-0.51pm	0.53-0.51pm
3 months	1.59-1.55pm	1.59-1.55pm
12 months	5.02-4.94pm	5.02-4.92pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

Feb 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4555-1.4660	1.4630-1.4640	0.53-0.50c pm	4.22	1.57-1.54pm	4.25
Canada	2.0236-2.0321	2.0263-2.0292	0.03-0.13c dis	−0.13	0.34-0.18pm	0.61
Nethlnd.	3.77½-3.79½	3.77½-3.78½	2-1⅞c pm	6.96	5⅞-5⅞pm	5.96
Belgium	68.30-68.62	68.50-68.60	15-6c pm	2.01	38-28pm	1.87
Denmark	12.31½-12.38	12.34-12.35	4½-3¼ore pm	4.01	12½-11½pm	3.77
Ireland	1.1031-1.1082	1.1060-1.1080	0.50-0.25p pm	4.67	1.45-0.70pm	3.88
W. Ger.	3.33½-3.35½	3.33½-3.34½	2⅞-1⅞pf pm	7.10	6½-6⅞pm	7.56
Portugal	217.38-219.45	217.70-219.30	—	—	—	—
Spain	210.38-211.04	210.45-210.75	20c pm-20c dis	—	35-160dis	−1.75
Italy	2,270½-2,282½	2,275½-2,276½	6-12lire dis	−4.75	28-33dis	−5.18
Norway	10.43½-10.48½	10.46-10.47	½-¾ore dis	−5.60	1½-2½dis	−5.61
France	10.26½-10.29½	10.27½-10.28½	½c pm-½ dis	−0.07	2½-4½dis	−1.61
Sweden	10.64½-10.69½	10.65½-10.66½	½-½ore pm	0.42	2½-1½pm	0.77
Japan	265½-267½	266½-267½	1⅜-1¼y pm	5.82	4½-3⅞pm	5.09
Austria	23.45-23.56	23.47-23.51	11½-10½gro pm	5.59	33½-29½pm	5.35
Switz.	2.77½-2.80½	2.77½-2.78½	2-1⅞c pm	8.08	5½-5½pm	8.08

Belgian rate is for convertible francs. Financial franc 69.30-69.40. Six-month forward dollar 2.78-2.73c pm. 12-month 4.90-4.75c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4555-1.4650	1.4630-1.4640	0.53-0.50c pm	4.22	1.57-1.54pm	4.25
Ireland†	1.3176-1.3250	1.3242-1.3250	1.20-0.80c pm	9.02	3.80-2.35pm	9.80
Canada	1.3853-1.3885	1.3875-1.3885	0.51-0.54c dis	−4.54	1.28-1.33dis	−3.76
Nethlnd.	2.5800-2.5865	2.5810-2.5820	0.42-0.40c pm	1.89	1.38-1.35pm	2.10
Belgium	46.75-47.05	46.80-46.90	7-10c dis	−2.17	25-31dis	−2.39
Denmark	8.42½-8.47½	8.43½-8.43½	½ore pm-par	0.36	½pm-½dis	−0.24
W. Ger.	2.2800-2.2970	2.2815-2.2825	0.62-0.57pf pm	3.12	1.93-1.88pm	3.33
Portugal	149½-151	149½-150½	250-600c dis	−20.00	550-1200dis	−23.26
Spain	143.40-144.45	144.00-144.10	25-75c dis	−4.17	175-275dis	−6.25
Italy	1,563½-1,582½	1,554½-1,555½	10-12lire dis	−8.47	35½-37½dis	−6.37
Norway	7.13½-7.17	7.14½-7.15½	2½-3ore dis	−4.62	9-9½dis	−5.18
France	7.01½-7.06½	7.02-7.02½	2½-2½c dis	−4.46	11-11½dis	−6.48
Sweden	7.27½-7.31½	7.28½-7.28½	2½-2½ore dis	−3.91	6½-6½dis	−3.57
Japan	181.80-183.10	182.20-182.30	0.23-0.20y pm	1.42	0.86-0.82pm	1.85
Austria	16.04-16.13	16.05-16.07	3-1gro pm	1.49	6-3pm	1.12
Switz.	1.9000-1.9250	1.9005-1.9015	0.57-0.52c pm	3.42	1.85-1.80pm	3.82

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 46.75-47.05.

EXCHANGE CROSS RATES

Feb 24	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.464	3.340	266.8	10.28	2.783	3.778	2276.	2.028	68.55
$	0.683	1.	2.282	182.3	7.023	1.901	2.583	1555.	1.386	46.85
DM	0.299	0.438	1.	79.87	3.077	0.833	1.131	681.4	0.607	20.52
YEN	3.749	5.486	12.52	1000.	38.53	10.43	14.16	8531.4	7.608	257.0
F Fr.	0.970	1.424	3.250	259.5	10.	2.707	3.676	2214.	1.973	66.70
S Fr.	0.359	0.526	1.200	95.87	3.694	1.	1.358	817.9	0.729	24.64
H Fl.	0.265	0.387	0.884	70.62	2.721	0.737	1.	602.4	0.537	18.15
Lira	0.439	0.643	1.468	117.5	4.516	1.223	1.660	1000.	0.891	30.12
C $	0.493	0.722	1.647	131.5	5.068	1.372	1.863	1122.	1.	33.81
B Fr.	1.458	2.135	4.873	389.1	14.99	4.059	5.511	3320.	2.958	100.

Yen per 1,000: French Fr per 10: Lira per 1,000; Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Feb. 24	Short term	7 Days notice	Month	Three Months	Six Months	One Year
B.Fr.(Fin)	2⅜-9⅝	2½-8⅝	9⅝-8⅝	8⅞-9⅞	2⅛-9⅛	9-8¼
B.Fr(Con)	8¼-9⅛	8½-10	10-10⅛	10-10⅛	8½-10	8-9⅛
Yen	3¼-6⅝	6⅛-6⅞	6⅛-6⅞	6⅛-6⅞	6⅛-6⅞	5⅞-6⅞
D. Krone	7¼-7⅞	7⅞-8	7⅞-8⅜	8-8⅛	8-8⅛	8⅛-8⅝
Asian $ (Sng)	7⅞-8	7⅞-8	7⅞-8	7⅞-8	7⅞-8	8-8⅛

Long-term Eurodollars: two years 8⅛-8⅞ per cent; three years 8⅛-8⅞ per cent; four years 8⅞-9 per cent; five years 8⅞-9⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

US bonds at record high

US Treasury bonds touched a record high in the London International Financial Futures Exchange yesterday. Strong demand resulted in a further squeeze on bear positions and this tended to outweigh all other considerations. Prices opened firmer after continued buying late last week out of Tokyo and with early levels still looking a little cheap, further buying developed so that the June contract touched a record high of 90-28, up from an opening level of 90-17.

Profit taking developed towards noon and early US participation looked less than confident initially on unconfirmed rumours that a Middle East oil producer would cut production to push up oil prices. However, a lower resistance level of 89-29 was held and buyers soon re-emerged, helped by prospects of an early Supreme Court judgement on the Gramm-Rodman-Hollings balanced budget bill.

Gilt prices benefited from a stronger tone in bonds and early trading again saw short covering. As bonds dipped during the middle of the day so gilt values attracted profit taking but bargain hunters soon appeared at the lower levels to push values firmer. The March price finished below the opening level of 155-10 however but was up from the day's low of 114-27 at 115-04.

Euro-dollar prices were confined to a narrow range in reasonable volume. While the prospect of higher US interest rates was generally discounted, there was little enthusiasm over the possibility of an early reduction in rates despite last week's rather disappointing US economic statistics.

Short sterling contracts finished up on the day, encouraged by a slight decline in cash prices. However trading was not as volatile as in the gilts sector and the June price closed at 88.70 up from 8.56 on Friday and an opening level of 88.65.

CURRENCY MOVEMENTS

Feb. 24	Bank of England Index	Morgan Guaranty Change %
Sterling	74.6	−17.0
U.S. dollar	118.7	+2.3
Canadian dollar	79.3	−11.8
Austrian schilling	166.3	+7.0
Belgian franc	94.2	−8.3
Danish Kroner	85.0	−1.7
Deutsche mark	133.9	+15.0
Swiss franc	166.1	+16.6
Guilder	123.1	+8.2
French franc	71.4	−10.4
Lira	46.5	−18.0
Yen	189.6	+39.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.781421	0.647743
U.S.$	7½	1.14150	0.946677
Canadian $	12.10	*	1.31181
Austria Sch.	4	18.3469	15.1942
Belgian Fr.	2½	53.4593	44.2903
Danish Kr.	7	2.64888	7.98190
D'mark	4	2.01175	5.16316
Guilder	5	2.96135	6.44583
French Fr.	9½	8.01904	6.64662
Lira	15½	1775.05	1471.01
Yen	4½	208.723	172.011
Norway Kr.	8	8.15603	6.76400
Span'h Pta.	—	164.378	136.250
Swedish K.	9½	8.53895	6.86512
Swiss Fr.	4	2.18027	1.80389
Greek Drch	20½	161.123	133.358
Irish Punt	—	N/A	0.714743

* C$/SDR rate for February 21: 1.57525.

OTHER CURRENCIES

Feb. 24	£	$
Arg'tina	1.1689-1.1715	0.8000-0.8010
Aus'alia	2.0735-2.0755	1.4165-1.4210
Brazil	18,594-18,703	13,410-13,475
Finland	7.6385-7.6585	5.1855-5.1685
Greece	204.23-208.64	139.78-142.71
H'kong	11.4088-11.4180	7.8010-7.8030
Iran	117.0*	81.95*
Kuwait	0.4140-0.4158	0.28380-0.28400
Lux'burg	68.50-68.60	46.80-46.90
Malaysia	3.6140-3.6200	2.4780-2.4700
N'Z'land	2.7765-2.7865	1.9010-1.9065
Saudi Ar.	5.3348-5.3390	3.6513-3.6516
Sin'pore	3.1825-3.1675	2.1455-2.1465
S.Af.(Cm)	2.9110-2.8108	1.2210-1.9950
S.Af. (Fn)	4.0060-4.1186	2.7365-2.8170
U.A.E	5.3656-5.3710	3.0725-3.6730

* Selling rate.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4635	1.4584	1.4480	1.4360	1.4152

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4585	1.4610	1.4560	1.4490
June	1.4445	1.4480	1.4425	1.4340
Sept	7.4325	1.4350	1.4300	1.4210
Dec	1.4250	1.4250	—	1.4110

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4570	1.4585	1.4550	1.4440
June	1.4425	1.4438	7.4439	1.4285
Sept	1.4305	—	—	1.4170

Estimated volume 60 (73)
Previous day's open int 2,798 (2,806)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4376	0.4358	0.4371	0.4345
June	0.4413	—	—	0.4382

Estimated volume 147 (93)
Previous day's open int 155 (154)

FT—SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	153.10	153.50	152.30	151.20
June	154.90	155.20	154.10	153.00

Estimated volume 443 (480)
Previous day's open int 1,732 (1,885)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	90-15	90-28	89-29	89-21
June	89-17	89-26	89-00	88-22

Estimated volume 6,490 (8,950)
Previous day's open int 3,097 (3,340)

STERLING INDEX

	Feb 24	Previous
8.30 am	74.9	74.7
9.00 am	74.9	74.4
10.00 am	74.9	74.5
11.00 am	74.8	74.5
Noon	74.8	74.5
1.00 pm	74.8	74.5
2.00 pm	74.8	74.5
3.00 pm	73.8	74.4
4.00 pm	74.9	74.5

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.2903	−1.21	+1.13	±1.5425
Danish Krone	8.12857	7.98190	−1.80	+0.06	±1.6421
German D-mark	2.23840	2.16316	−3.36	−1.00	±1.1455
French Franc	6.86402	6.64662	−3.17	−0.81	±1.3654
Dutch Guilder	2.52208	2.44583	−3.02	−0.66	±1.5162
Irish Punt	0.724578	0.714743	−1.36	+1.00	±1.6673
Italian Lira	1520.60	1471.61	−3.22	−2.20	±4.0658

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

LONDON

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

UK longer rates ease

Interest rates were a little easier at the longer end in London yesterday. While sterling's better performance provided some comfort, any speculation of an early reduction in clearing bank base rates was seen by most dealers as a little premature. Uncertainty in currency markets, particularly the dollar's volatility, has made the task of assessing longer term positions a little more complicated. Three-month interbank money started at 12¼-12⅛ per cent and eased to 12⅛-12⅞ per cent down from 12⅞-12⅞ per cent on Friday. Three-month eligible bank bills were bid at 11⅞-11⅞ per cent compared with 21⅞-12⅞ per cent.

Overnight interbank money opened at 12⅛-12⅞ per cent and eased to 12½-12⅞ per cent before moving up during the afternoon to a peak of 14½ per cent.

The Bank of England forecast a shortage of around £350m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £957m. These were partly offset by Exchequer transactions which added £340m, a fall in the note circulation of £275m and banks' balances brought forward £10m above target. The Bank gave assistance in the morning of £135m, comprising purchases of £1m of eligible bank bills in band 1 at 12⅞ per cent, £133m in band 2 at 12⅞ per cent and £1m in band 3 at £12½ per cent.

Further help was given in the afternoon of £109m. This comprised purchases of £1m of eligible bank bills in band 1 at 12⅞ per cent, £103m in band 2 at 12⅞ per cent and £5m in band 3 at 12½ per cent.

In Frankfurt call money was little changed at 4.50 per cent in quiet trading. Attention focussed on the performance of the D-mark against the US dollar. A further decline in the dollar's value could change the Bundesbank's current stance on interest rates. While there does not appear to be any need to stimulate economic growth levels in West Germany, a continued inflow of funds may further exacerbate last month's rise in domestic money supply.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

Treasury Bills & Bonds

Prime rate	9½
Broker loan rate	8¾
Fed funds	7¾
Fed funds at intervention (Lunchtime)	7⅞
One month	6.99
Two month	7.13
Three month	7.16
Six month	7.38
One year	7.48
Two year	7.83
Three year	7.94
Four year	8.00
Five year	8.12
Seven year	8.25
10 year	8.34
30 year	8.57

MONEY RATES

Feb. 24	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.40-4.55	4.3-4.5	4.35-4.45	4.35-4.50	4.40-4.55	5.5
Paris	8⅛	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅛
Zurich	⅞-1⅛	4-4⅛	—	0⅞-4	—	—
Amsterdam	5⅛-5	5⅞-5⅞	—	5⅛-5⅞	—	—
Tokyo	5.84375	5.96875	—	5.90625	—	—
Milan	16⅞-17¼	17-17⅛	—	15-16⅞	—	—
Brussels	7.00	2⅛-9⅛	—	2⅛-9⅞	—	—
Dublin	14-14⅛	15⅛-15⅞	15⅛-15⅞	15⅛-15⅞	13⅞-14⅛	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 24)

Three months US dollars		Six months US dollars	
bid 7 7/8	offer 8	bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Feb. 24	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12⅛-14⅛	12⅞-12⅞	12⅞-12⅞	12⅞-12⅞	12-12⅛	11⅞-12⅛
Sterling CDs	—	—	12⅞-12⅞	12¼-12⅛	11⅞-11⅞	11⅞-11⅞
Local Authority Deps	12⅛-12⅞	12⅞	12⅞	12⅞	12	11⅞
Local Author'y Bonds	—	—	13	12⅞	12⅛	12
Discount Mkt Deps.	12⅛-13	12⅛	12⅞	12	—	—
Company Deps.	12⅞-13	12⅞	12⅞	12⅞	—	—
Finance Hse Deps.	—	—	12⅞	12⅞	12⅞	12
Treasury Bills (Buy)	—	—	12⅞	11⅞-11⅞	—	—
Bank Bills (Buy)	—	—	12⅞	11⅞-11⅞	12⅞	—
Fine Trade Bills (Buy)	—	—	12⅞	12⅞	12	—
Dollar CDs	—	—	7.75-7.80	7.75-7.80	7.75-7.80	7.90-7.95
SDR Linked Deps	—	—	7⅞-8⅛	8⅛-8⅛	7⅞-8⅛	7⅞-8⅛
ECU Deps	—	—	2⅞-2⅞	9⅞-10⅛	2⅞-2⅞	2⅛-2¼

Treasury Bills (sell): one-month 12⅞ per cent; three-months 11⅞ per cent. Bank Bills (sell): one-month 12⅞ per cent; three-months 11⅞ per cent. Treasury Bills: Average tender rate at discount 12.0390 per cent. ECGD Fixed Finance Scheme IV reference date January 8 to February 4 (inclusive): 13.077 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 12½ per cent from February 1 1986. Bank Deposit Rate for sums at seven days' notice 6-6¼ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12½ per cent; one-three months 12½ per cent; three-six months 12½ per cent; six-nine months 12½ per cent; nine-12 months 12½ per cent. Under £100,000 11½ per cent from February 10. Deposits held under Series 3 12½ per cent. Deposits withdrawn for cash 7½ per cent.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 24, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

[illegible]

Company Notices

CITY OF OSLO 1974/1992 [illegible]

Personal

A MEMORIAL SERVICE will be held for Mr Brian Lawrence Deputy Managing Director of Times Newspapers at St Bride's, Fleet St on Wednesday 26 February at 12 noon. Cheques for Cancer Research Campaign: c/o Red Lion Farm The Green, Sarratt, Herts

Art Galleries

[illegible]

Clubs

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985/86 High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
99	96¼	Treas. 10pcCnv 1986	99	.....	[illegible]	12.52
90	92¾	Treas 3pc 1986	98	.....	[illegible]	12.41
100	97½	Exch. 10½pc 1986	99	+	[illegible]	12.55
101⅞	99¼	Treas 12pc 1986	99	+	[illegible]	11.77
98¼	94½	Treas 8¾pc 1984-86‡‡	98¼	+	[illegible]	11.99
105	100½	Exch. 14pc 1986	101	+	[illegible]	11.88
95	87¼	Exch. 2½pc 1986	95¾	.....	[illegible]	8.53
104	100¾	Exch. 13¼pc 1987	101	+	[illegible]	11.62
99	96¾	Treas 10¼pcCv '87	99	+	[illegible]	11.36
94	85½	Exch 2½pc 1987	94	+	[illegible]	8.15
100	96¼	Exch. 10½pc 1987	98	+	[illegible]	11.51
95	89	Funding 6½pc '85-87‡‡	95	+	[illegible]	10.34
99	95½	Treas. 10pc 1987	98½	+	10.15	11.23
93¼	84¾	Treas 3pc 1987	93¼	+	3.22	8.37
102	99¾	Treas. 12pc 1987	101	+	11.87	11.24
95¼	90¼	Treas 7¾pc 1985-88‡‡	95¼	+	8.13	10.53
100	95¾	Exch 10½pc '88	99	+	10.59	10.98
98¼	93¼	Treas 9¾pc Cv '88	97	+	10.00	11.02
89½	80	Transport 3pc '78-88	88½	+	3.38	8.51
97¾	91½	Treas. 9½pc '88	96½	+	9.85	11.09
102¼	97½	Treas 11½pc 1989	101	+	11.35	10.98
97	90¼	Treas 9½pc Cnv. '89	96¼	+	9.88	11.08
84	79	Treas 3pc 1989	84	+	3.54	8.59
99¾	94	Treas 10½pc 1989	98	+	10.61	10.87
98¼	92	Exch 10pc 1989	97½	+	10.25	10.90
101	95	Exch 11pc 1989	100½	+	[illegible]	10.83
86	79	Treas 5pc 1986-89	86	+	[illegible]	9.49
99	95	Exch 10¼pcCv '89	99	+	[illegible]	10.45
108	103¼	Treas 13pc 1990‡‡	106½	+	[illegible]	10.81
101	96	Exch 11pc 1990‡‡	100	+	[illegible]	10.80
108¼	100¼	Exch. 12½pc 1990	105	+	[illegible]	10.83
87	75¾	Treas. 3pc 1990	80¼	+	[illegible]	8.55
93¼	87¼	Treas 8¼pc 1987-90‡‡	91	+	[illegible]	10.62
101¼	91¾	Treas. 10pcCv 1990	96	+	[illegible]	10.87

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

هكذا اصل الأصل

INDUSTRIALS—Continued

1985/86 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
106	63	♦Midland Marts	100	.....	4.0	2.1	1.3	12.3
*83½	55½	♦Mitchell Cotts	78½	+1½	4.25	2.0	7.7	(8.0)
104	70	♦Monks & Crane 10p	104	+2	¶2.7	2.7	3.7	14.3
253	182	Morgan Crucible	253	.....	¶8.5	1.6	4.8	17.6
33	16½	♦Morris (W) F.A. 20p	18½	–1½	g0.5	♦	3.9	♦
131	91	Moss (Robt.) 10p	100	.....	†3.0	2.7	4.2	11.1
99	60	Mysan Grp 10p	97½	+1½	¶2.63	3.4	3.0	18.8
330	214	♦NMW Computers	305xd	+13½	†6.0	♦	3.0	♦
43	27	Nash Inds	35	.....	0.5	—	2.0	—
48	15	Neil & Spencer 10p	26	+1	♦—	—	—	7.8
44	14½	Newman Inds 10p	32	.....	20.3	—	1.3	(35.3)
65	26	Nelson	59	.....	0.95	5.9	2.5	8.4
104	91	♦Norank Systems 5p	100	.....	u3.0	2.4	4.3	13.9
218	146	Norcros	218	+2	†8.6	2.0	5.6	11.9
67	45	Nu-Swift 5p	52	.....	†3.0	1.9	8.2	8.4
114	68	Oakwood Grp	96	+1	5.0	♦	7.4	♦
250	150	Office & Elect	208	.....	†7.5	2.6	5.2	10.7
108	70	Oldacre 20p	80	.....	†4.0	2.6	7.1	7.3
58	29	♦Optometrics $0.01	31	.....	u#02c	2.1	5.1	10.4
530	312½	Orilliane £1	525	–5	†23.4	1.0	4.5	12.4
18	5½	Ovenstone 12½c	10	.....	g03.23c	1.9	10.5	5.0
£271	£158	Ozalid 9pc Cnv 87-92	£248	.....	Q9%	—	13.7	—
185	95	♦PCT Grp 10p	100	.....	3.2	1.2	6.7	(24.6)
£16½	850	PLM 'B' Sk 25	£16½	+⅛	023.2%	♦	4.0	♦
193	114	PSM Intl	138	+8	†td5.25	2.5	5.4	9.5
195	115	♦Pacer Systems $0.01	167	.....	Q3.84c	—	1.8	—
68	50	♦Pacific Sales 10p	61	.....	3.0	2.1	7.0	0.0
243	120	Park Place 10p	230	–1	6.25	1.9	3.9	19.3
296	165	Parker Knoll 'A'	270	.....	9.5	2.9	3.0	9.0
105	45	♦Parkfield Group 5p	385	.....	†2.4	2.4	1.1	51.0
80	37	♦Pavion Intl	45	+2	—	—	—	—
£290	£101	Do 12pc CvLn '94-02	£130	.....	Q11%	—	10.5	—
493	287½	Pearson	478	+15	†t8.5	3.0	2.3	17.8
29	12	Peek Holdings	16	.....	—	—	—	—

LEISURE—Continued

1985/86 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
87	53	Leisuretime Int 10p	87	+1	†2.1	3.9	3.4
115	98	♦Lowndes	107	.....	u2.63	3.0	3.5
220	153	♦Media Tech Int 20p	203xd	–1	L2.58	5.4	1.8
205	124	Medminster 10p	155	+10	5.35	2.0	4.9
280	130	♦Miss World 10p	173	+5	3.6	4.1	2.9
127½	62	Nationwide Leisure	76	+5	Q.75	2.3	7.0
39	9½	♦Norfolk Int 20c	13	.....	—	—	—
28½	19½	♦Owners Abroad 3p	28½	.....	1.0	2.2	5.1
73	36	Photax (Lon.)	73	+18	—	—	—
31½	18	♦P'dilly Radio NV 5p	31½xd	+1	2.0	1.2	9.1
90	30	♦Pineapple Dnc St 10p	40	+2	—	—	—
342	283	Pleasurama 5p	330	+4	†t4.6	3.7	2.0
161	109	Do. 7pcCvCmRedPf	158	+2	7%	—	6.3
96	77½	♦Pres Entertain 50p	93	.....	¶2.0	2.1	3.1
60	10	♦Radio City 'A' NV	20	.....	—	—	—
55	53	♦Radio Clyde N/V	35	.....	3.25	0.9	13.3
64	34	Riley Leisure 10p	60	.....	‡0.7	—	‡
228	143	Saga Hols. 20p	228	.....	†4.0	2.1	2.5
*289	97	Samuelson Grp 20p	285xd	–1	t2.4	6.8	1.2
111	25	♦Saungers Photo 10p	87	+2	♦2.0	1.9	3.3
202	130	♦Scantro 50p	150	+8	L3.68	2.6	1.3
260	128	Scott. TV 'A' 10p	268	+18	†8.8	2.8	4.7
508	173	SenCo Inc $0.125	180	+7	—	—	—
15	6	♦SelecTV 10p	10½	–½	—	—	—
140	0	♦Spectrum 5p	36	+5	‡L2.0	4.8	‡
37½	23	TSW 5p	37½	+1	1.7	2.4	6.3
185	108	TVS N/Vtg 10p	170	.....	8.0	♦	6.7
235	132	♦Television Svcs 50p	167	.....	Q.5	4.3	1.3
79	50	Tottenham Hotspur	50	–5	‡4.0	—	‡
105	72	♦Trilion 10p	80	+2	Q.1	3.3	2.0
165	93	♦Tyne Tees TV 'A' £1	255	.....	‡10.5	2.1	‡
114	84	Ulster TV N/V 'A'	108	.....	5.25	♦	6.9
125	65	♦Vampian 5p	77	+4	u1.26	♦	2.3
26	17	Webb (Jos.) 5p	20	+2½	d0.5	0.7	2.9

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 42 (International Edition Page 46)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 10	Feb 20	Feb 21	Mar 3
Feb 24	Mar 6	Mar 7	Mar 17
Mar 10	Mar 26	Mar 27	Apr 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

Sustained demand leads to powerful advance in shares and bonds

Share prices powered ahead amid another heavy business volume to close at record levels again in London yesterday. The first session of a new trading Account brought sustained institutional support of numerous blue chips and, with American investors showing renewed enthusiasm for favourite stocks, the main indices settled at closing peaks. For the eighth time in nine consecutive sessions, the FT Ordinary share index surpassed its previous best-ever level to close with another sharp gain of 19.2 to 1275.2. The FT-SE 100 share soared 13 to 1533.0.

Optimistic forecasts from both the Confederation of British Industry and the London Business School of a sustained recovery in UK output, partly because of lower oil prices, were the major stimulants. Widespread expectations of US interest rate cuts and the strength of Wall Street on Friday were other factors contributing to the ebullient mood.

Such was the force of the demand from the UK institutions, any sizeable seller of stock was accommodated without slowing the price advance. Late in the day, some leading stocks prominent in the recent upsurge turned back from the highest. The profits on these sales were immediately re-invested in other top-quality industrials so the market was able to maintain its forward momentum.

The only dull area was the banking sector. A revival of Mexican debt worries and the possibility of a financial services tax aroused nervous selling which took a toll on the main clearers. NatWest's decision to scrap the extra interest charges on endowment and pension mortgages also unsettled sentiment triggering thoughts of a home loans war.

Gilt-edged bonds went into overdrive, too, and the FT Government Securities index rose 0.68 to 84.82. Sterling's resumed improvement against the dollar, interest rate hopes and the continued lack of official funding touched off widespread buying of short and longer-dated Gilts. After opening sharply better, prices rose further on domestic and overseas interest before noon. Rises of around 1½ points were pared to a point but after the 3.30 pm close the tone picked up again to leave selected longs with gains stretching to 1¼ points. The shorts closed ⅞ up, while index-linked issues put on ½ more.

Clearers weak

The major clearing banks took a distinct turn for the worse as nervous selling on consideration of the Mexican debt situation took its toll ahead of the forthcoming dividend season. Lloyds, fairly heavy exposed to Latin American debt and the first to report preliminary results on Friday, sustained a fall of 16 at 470p, after 468p. NatWest lost 19 at 688p and Barclays relinquished 15 at 463p. Midland, recently the subject of Standard Chartered merger rumours, dropped to 460p before rallying to finish only 5 lower on balance at 470p. Elsewhere, the prospect of cheaper money helped Discount Houses make useful progress. Clive, additionally aided by revived talk of an imminent bid from Prudential-Bache Securities of New York, advanced 4 to 44p. Cater Allen put on 15 at 495p and Gerrard and National gained 24 at 312p. Merchant Banks attracted selective support with Kleinwort Benson notable for a rise of 25 at 705p. Mercury Securities, in which Mr Saul Steinberg of the US holds an 11 per cent stake, added 20 at 810p. First National Finance Corporation continued firmly in Hire Purchases, closing a further 10 higher at 194p, after 187p, as bid talk persisted.

Computer softwear group PPL staged a highly successful market debut; the shares, placed at 145p, opened at 170p and touched 177p prior to closing at 165p.

Blue Circle, a dull market recently reflecting poor figures from its South African subsidiary, attracted revived institutional demand and moved up 16 to 583p. Cement Roadstone rose 7 to 104p on Irish currency influences, while RMC hardened 4 more to 532p. Contracting and Construction issues were featured by Alfred McAlpine which gained 16 to 352p in reply to the good annual results and confident statement. Press suggestions that the company is close to announcing a major deal stimulated fresh demand for Thomson T-Line Caravans which rose 17 to 163p.

Strong overseas and domestic demand ahead of Thursday's preliminary results boosted ICI to 949p before the close of 939p, up 39 on balance. Other Chemicals also performed well. Laporte were 10 higher at 373p and Allied Colloids 6 better at 178p. Yorkshire Chemicals gained 8 to 100p ahead of tomorrow's annual figures, while British Benzol put on 5½ to 79½p on news that Prudential Assurance had increased its holding to just over 5 per cent.

Encouraged by the better-than-expected results from Vickers and favourable forecasts for manufacturing industry, the Engineering sector attracted a considerable amount of interest. Vickers featured a rise of 35 at 405p, while Hawker rose 20 to 539p and GKN put on 13 to 343p. Among the secondary issues, demand persisted for Delta, up 10 at 218p, and Glynwed, 8 firmer at 295p. RHP rose 6 more to 170p, while IMI improved 7 to 155p and Laird Group 5 to 280p.

News of the boardroom changes enlivened interest in Rock which touched 30p before settling 5 to the good at 26p. S. & W. Berisford gained 12 to 168p in response to the better-than-expected annual profits and maintained dividend, but Cadbury Schweppes encountered US selling in the absence of any bid developments and shed 4 to 166p. Ranks Hovis McDougall firmed 4 to 186p in the wake of a put-through of some 3m shares. Among Food Retailers, renewed demand lifted Tesco 7 more to 340p, while Kwik Save firmed 4 to 244p.

Buying in front of today's anual results lifted Mount Charlotte 6½ to 99p.

Pilkington feature

Selective demand was forthcoming for the miscellaneous industrial leaders. Pilkington Bros featured a rise of 25 at 425p amid a revival of takeover speculation with BTR being mentioned as a possible predator. Beecham were also the subject of speculative activity at 385p, up 15. Glaxo continued to make progress with a further gain of ¼ to £10¼, while Hanson Trust put on 4 more to 165p and Reed International were 12 higher at 784p. Elsewhere, news of the land sale helped stimulate Smiths Industries which rose 12 to 273p, while consortium bid talk accompanied by reports of a put through left Pearson 15 higher at 473p, after 493p. Dwek advanced 14 to 61p on the company's statement regarding a possible major acquisition and Alexander Russell rose 16 to 130p on the announcement that RMC has a 9.66 per cent stake in the company. Press mention left English China Clays 14 to the good at 327p xd, while a newsletter recommendation prompted a gain of 13 to 148p in Keep. Comment on the Thorn EMI deal left Myson 13 to the good at 99p ex rights. Stainless Metalcraft, reflecting acquisition news, improved 15 to 157p, while speculative activity lifted Redfearn 14 to 148p and SI Group 10 to 33p.

Photax (London) highlighted the Leisure sector, rising 10 to 73p on the announcement that Clayhite had increased its stake in the company to nearly 26 per cent. Fairline Boats, a strong market of late on takeover hopes, climbed 6 more to 186p following Press comment; while USM quoted Rex Williams gained 4 to 27½p for the same reason. Newspaper comment also helped Scottish TV jump 18 to 268p in a restricted market.

Lucas Industries advanced 15 more to 620p amid substantial institutional support; the shares have risen from 548p since the signing of the Saudi Arabian defence deal last week. Dowty, also a beneficiary of the deal, rose 6½ to 192p xd. Aerospace Engineering rose 11 to 66p following Press comment, while Armstrong Equipment hardened 3½ more to 98½p. Distributors provided some noteworthy movements with Caffyns, also the subject of a favourable mention, up 10 at 180p. Elsewhere, profit-taking clipped 10 from Jaguar at 480p, while a newsletter "sell" recommendation left Reliant Motor 4 cheaper at 27p.

Among Publishers, Associated Newspapers were quoted 10½ higher at 273p ex the 3-for-1 scrip issue. United Newspapers, annual results expected next month rallied 5 to 325p, while fresh suport was noted for Home Counties, 15 up at 143p. Paper/Printings improved under the lead of DRG which responded to revived bid speculation and rose 6 to a 1985/86 peak of 253p. Barham put on 7 to 160p. Among advertising issues, Saatchi and Saatchi improved 23½ to 870p xd: the company's subsidiary Dorland has announced the proposed purchase of US agency Dancer Fitzgerald Sample.

Leading Properties, particularly firm last week on takeover speculation, turned easier in the absence of any developments. MEPC, the subject of strong bid rumours recenly, came back 10 to 370p, while Land Securities clipped 5 to 326p. Elsewhere, Samuel Properties attracted buyers folowing property acquisition news and rose 6 to 176, while Wates City of London continued firmly at 140p, up 5. Elsewhere, estate agents Mann & Co attracted revived buying interest and gained 21½ to 270p xd. Country Gentlemen's Association jumped 250 to 800p following and offer for the company from Bestwood.

Shippers contributed to the buoyant trend. P & O Deferred advanced 13 to 493p as investors showed an increased interest ahead of the preliminary results scheduled for next month. British and Commonwealth reflected Press comment with a rise of 16 at 350p.

Vantona Viyella, 14 higher at 446p, responded to Press comment highlighting the potential benefits of the merger with Coats Patons, 10 up at 258p. Dawson International was also in receipt of a favourable mention and put on 10 to 226p. Elsewhere in Textiles, John Crowther revived with a gain of 7 to 111p, while bid hopes continued to buoy Tootal, another 2½ to the good at 92½p.

Consideration of the merger proposed between merchant bankers Morgan Grenfell and Exco International lifted the latter 11 to a 1985-86 high of 245p. Willis Faber, the Lloyds broker which controls a 23 per cent in Morgan Grenfell, advanced 12 to 432p, after 447p. Sympathetic gains were noted for MAI, 10 up at 365p, and International City, another 4 higher at 198p. Elsewhere in Financials, fresh speculative support lifted Ex-Lands 5 to 24p.

Oils gain ground

The oil sector took Friday's rally a stage further. Persistent buying interest was evident from the outset and the leaders generally closed at or around the day's best levels, helped by the rally in North Sea oil prices.

BP, quoted ex-dividend, rose 12 to 530p, while Shell moved up 15 to 688p. Britoil advanced 9 to 182p, LASMO 9 to 158p, Tricentrol 7 to 132p and Enterprise Oil 4 to 134p. Burmah continued to respond to takeover speculation and settled 8 to the good at 316p, while bid rumours prompted renewed support for IC Gas, 5 up at 328p.

Otherwise idle Plantations featured Grand Central which rose 3½ to 33p following weekend Press comment.

Rustenburg advance

Mining markets provided numerous firm features. The latest upsurge in Platinum prices to easily their best levels this year prompted substantial buying of Rustenburg Platinum which jumped 45 to 730p. Impala, recently beset by labour problems, managed a minor improvement at 650p, up 4 on the day, while Lydenburg rose 10 to 540p, ex dividend. Gold shares were restrained by the firmness of sterling against the dollar and generally closed with modest changes in either direction, despite a firmer bullion price. The latter was finally a net $2.75 better at $341.25 an ounce, after $343.50.

The completion of the merger of the Anglo American Corporation's gold mines in the Orange Free State brought about the market debuts of OFSIL and Freegold. Freegold were a steady market throughout the day and closed at 875p, but OFSIL attracted sustained buying interest from Europe, Johannesburg and the US and improved rapidly from an opening level of around £20½ to end the day at £21½. The Gold Mines index eased 0.6 to 332.1. UK-domiciled Financials were again highlighted by Rio Tinto-Zinc which advanced 20 more to 614p, after 617p, for a rise of 54 over the past three trading sessions.

Firm metal prices, another good showing by overnight markets in Sydney and Melbourne and favourable comment on the "down-under" Golds sector helped Australians make good progress. Sons of Gwalia, one of the sector's strongest performers over the past 12 months, jumped 6 to equal the 1985-86 peak of 185p following the sharply increased interim profits and dividend.

FINANCIAL TIMES STOCK INDICES

	Feb. 24	Feb. 21	Feb. 20	Feb. 19	Feb. 18	Feb. 17	year ago
Government Secs	84.82	84.14	83.75	84.00	83.62	83.00	72.39
Fixed Interest	89.38	88.96	88.96	88.85	88.56	88.09	82.98
Ordinary	1275.2	1256.0	1253.8	1256.1	1234.3	1220.7	968.0
Gold Mines	359.1	332.7	334.8	356.3	317.0	300.4	441.4
Ord. Div. Yield	4.09	4.16	4.25	4.22	4.25	4.25	4.46
Earnings, Yld. % (full)	9.88	9.92	10.19	10.19	10.31	10.32	11.14
P/E Ratio (net)	12.70	12.49	12.34	12.24	12.21	12.06	10.76
Total bargains (Est.)	36,025	38,478	35,850	30,406	34,986	34,020	27,241
Equity turnover £m.	—	870.56	947.34	982.34	1217.56	908.49	299.21
Equity bargains	—	57,669	60,954	60,061	37,031	55,663	23,271
Shares traded (ml)	—	322.0	388.8	438.7	458.4	410.2	175.7

10 am 1261.0. 11 am 1263.4. Noon 1267.5. 1 pm 1271.5. 2 pm 1273.5. 3 pm 1275.2. 4 pm 1275.1. Day's High 1275.5. Day's Low 1258.1. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=12.24.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 17	Feb 28	May 29	June 9
Mar 3	Mar 14	June 12	June 23
Mar 17	Apr 4	June 26	July 7

For rate indications see end of Unit Trust Service

Money was given for the call of Pritchard Services, STC, Premier Oil, Raine Engineering, Celtic Haven, Kwik-Fit, Petranol, Charterhall, Mercantile House, Regenterest, Armstrong Equipment, Hanson Trust, Cannon Street Investments, Sears, Polly Peck, BSG International, Sycamore, F. H. Lloyd, Eglinton Oil and Gas, Brown and Jackson, C. H. Bailey, Five Oaks Investments, Ransome Sims and Jafferies, Arthur Lee, Bradstock, Dwek, Bejam, Exco International, Thorn EMI, Amstrad and Norfolk Capital. No puts were reported, but a double was taken out in Brengreen.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

RECENT ISSUES

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EUROPEAN OPTIONS EXCHANGE

LONDON TRADED OPTIONS

NEW HIGHS AND LOWS FOR 1985/6

RISES AND FALLS YESTERDAY

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm February 24

[illegible]

NEW YORK INDICES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

[illegible]

NYSE COMPOSITE PRICES

Continued from Page 49

[illegible]

LONDON Chief price changes *(in pence unless otherwise indicated)*

RISES

Tr 11¾% 1991	£103⅞	+¹³⁄₁₆
Ex 12% '13/17	£120	+1¼
Tr 2½% IL '20	£90⅝	+ ½
Aerospace Eng	66	+11
Beecham	385	+15
Berisford (S & W)	168	+12
Brit & C'wealth	350	+16
Britoil	182	+ 9
Delta Group	218	+10
Dwek	61	+14
Exco Int	245	+11
Ford (Martin)	111	+12
Glynwed Int	295	+ 8
GUS A	930	+27
GKN	343	+13
ICI	939	+39
LASMO	158	+11
Mount Charl	99	+6½
Pearson	478	+15
Photax (London)	73	+10
Pilkington Bros	425	+25
Redfearn Nat Gl	148	+14
RTZ	614	+20
Russell (A)	130	+16
SI	33	+16
Stead & Simp A	90	+12
Thomson T-Line	163	+17
Vickers	405	+35

FALLS

Cont Microwave	310	−30
Lloyds Bank	470	−18

Prices at 3pm, February 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅞	10⅝	AAR s			19	25	19¾	19⅝	19⅝	
25⅝	10¼	AGS			19	199	24⅞	24⅛	24⅛	−¾
14	9⅝	AMCA				7	12	12	12	−⅛
52¾	37½	AMR			9	5943	52⅝	51¼	52	−⅛
25⅜	18⅝	AMR pf	2.19	8.7		34	25	25	25	
25⅝	23¼	ANR pf	2.67	11.		1	24½	24½	24½	+⅛
12½	7⅝	APL			2	5	11½	11½	11½	−⅛
16¾	10⅝	ARX			13	43	14⅝	14½	14½	−½
55⅝	32¾	ASA	2a	5.2		516	36¼	37½	38¼	+⅝
25	10⅞	AVX		1.9		357	10	17	17	−1
[illegible]										

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International Investment Bankers

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Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35½	21⅛	NtSvl s	.82	2.4	18	661	35⅛	34¼	34¼	−⅛
17	12⅞	NStand	.40	3.0	25	74	13¼	12⅞	13⅛	
11¼	6½	Navistr			7	3003	8⅞	8⅝	8¾	+⅛
7½	3⅞	Nav wtA				792	6½	5⅝	5⅝	
3⅞	2	Nav wtB				143	3	2⅞	3	
60	49¼	Nav pfC				35	58¼	57½	57⅝	−⅜
34¾	20¾	Nav pfD				104	27½	27⅛	27½	+⅞
13¾	10⅜	Nerco	.64	5.4	9	22	11⅞	11½	11¾	+⅛
38¼	27⅞	NevPw 2.84		7.6	11	224	36⅞	36½	36⅝	−⅝
17⅜	13¼	NevP pf1.60		9.3		z500	17¼	17¼	17¼	
23	19⅞	NevP pf2.20		11.		z600	21⅞	21⅛	21⅛	−⅝
17⅛	9½	NevSvL .50		2.9	8	42	17	16¾	17	+⅛
28¼	18⅜	NEngE s			6	1305	27¼	26¾	27	−⅜
28½	23	NEnP pf2.76		9.6		4	28½	27⅞	27⅞	−⅛
29	24¾	NJRsc	2.20	6.6	11	61	27⅝	27¼	27⅝	+¼
30⅛	21¾	NYSEG 2.56		6.5	5	612	u30¼	29⅞	30⅛	
60	55	NYS pf 8.80		16.		z240	u84	83	84	+2½
22¼	18¾	NYS pf 2.12		9.5		3	22¼	22¼	22¼	+½
32½	27⅞	NYB pfD3.75		12.		4	32	31½	31½	−⅛
29¾	15⅛	Newell	.70	2.4	14	367	u29¾	29	29½	+⅜
39½	19¾	Nwhall s	.48	1.2	16	135	34⅝	39	32¼	−2⅝
19	14	Newhll 5.20e		32.	5	3	16½	16⅛	16⅛	
10	6¾	NwhlRs .76e		11.	5	25	7	5⅞	6⅞	−¼
53⅞	39⅝	Newmt	1	2.1		407	48½	47¾	48⅛	+¼
2⅞	¾	Nwpark				30	13-16	¾	13-16	+1-16
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
33	21⅝	USSteel .28		3.4	13	9883	22½	22	22⅛	−¼
56⅛	51	USStl pf5.59e		11.		116	53⅛	52⅝	53	+⅛
33	25½	USStl pf2.25		8.6		128	26½	20	26¼	−¼
164½	161½	USStl pf10.75		18.		105	104	103⅜	164	
½	⅜	USStl wt				425	½	½	½	
39⅞	25½	USTob 1.20		6.1	19	278	32	31½	31⅞	−⅛
96⅝	73⅛	USWest 8.08		6.3	10	703	u96¾	95⅞	96⅝	+¼
11½	6	UnStck			15	8	10¾	10¾	10¾	−⅛
55⅞	36¾	UnTechs 1.40		2.6	25	1606	55⅞	53⅝	53½	−¼
42¾	32¼	UTch pf2.55		6.9		160	42⅝	42¼	42½	+¼
28¾	20⅛	UniTel 1.92		6.8	156	4173	28½	27¾	28⅛	−⅛
24¼	18	UWR 1.36		5.5	14	63	23⅝	23	23⅛	−⅝
51⅛	17¾	Unitrde .20		.6	27	208	26⅝	26⅛	26⅛	−⅝

Continued on Page 47

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, February 24

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Oscillating around the 1,700 level

IN A SOMEWHAT restrained response to another session of plunging yields in the bond market, the Dow Jones industrial average jousted with the 1,700 barrier yesterday, *writes Terry Byland in New York.*

Bond prices rose strongly ahead of the news thet the federal hudget deficit fell dramatically in January. After the news, bonds sbowed gains of just under 2 full points. The yield on the market's key 30-year bond fell to around 8½ per cent against 8 per cent for four-year federal securities.

At the close the Dow Jones industrial average was up 0.57 at 1,898.28.

The stock market was besitant and the first hour saw the Dow fall nine points as profits were taken after Friday's late surge. The hlue chips edged forward later, but the broader market was slow to follow.

The Dow average was restrained by a fall of $1¼ to $78¾ in General Electric, after Zimmer blamed it for concealing flaws in the nuclear reactor rebuilt for it.

Despite further reductions in posted oil prices by the US majors, oil stocks edged higher. At $53½, Exxon added $⅝, Atlantic Richfield added $¾ to $53¾, and Standard Ohio $⅝ to $48⅝.

As the dollar paused after an early gain in New York, major industrial stocks sbowed mixed changes. IBM, heavily traded, eased $⅛ to $159⅝. Motors found difficulty in holding on to recent gains, General Motors shading by $⅝ to $80 in brisk turnover and Chrysler shading $¼ to $58¼. However, Ford added $⅝ to $72.

The airline sector sprang to life as Eastern confirmed a merger agreement with Texas Air. At $8, Eastern was $1⅛ up in turnover of almost 5m shares, which easily headed the NYSE actives. Texas Air added $1⅛ to $18⅝, heading active stocks on the American Stock Exchange. Arbitrageurs were buying Eastern shares while awaiting details of the bid, said to be $10 a share cash, as well as strike plans by the airline's workforce, due to be announced this week.

Also active on the NYSE was ICI of the UK, which jumped $2⅞ to $55⅝, with more than 700,000 shares traded. Trading in ICI on Wall Street, in the form of American Depositary Receipts (ADRs), now often exceeds that on the UK markets. The latest surge reflects recommendation by Wall Street brokers Eberstadt Fleming, and widespread strength in chemicals as falling oil prices cut the industry's feedstock costs.

On the over-the-counter markets, turnover of 6m ADRs of Glaxo Holdings, also of the UK, drove the price up $⅝ to $15⅝.

Among the US chemical stocks, Monsanto extended recent gains by $⅞ to $60⅝, Allied gained $⅝ to $50⅝ and Union Carbide, at $87⅞ jumped $1.

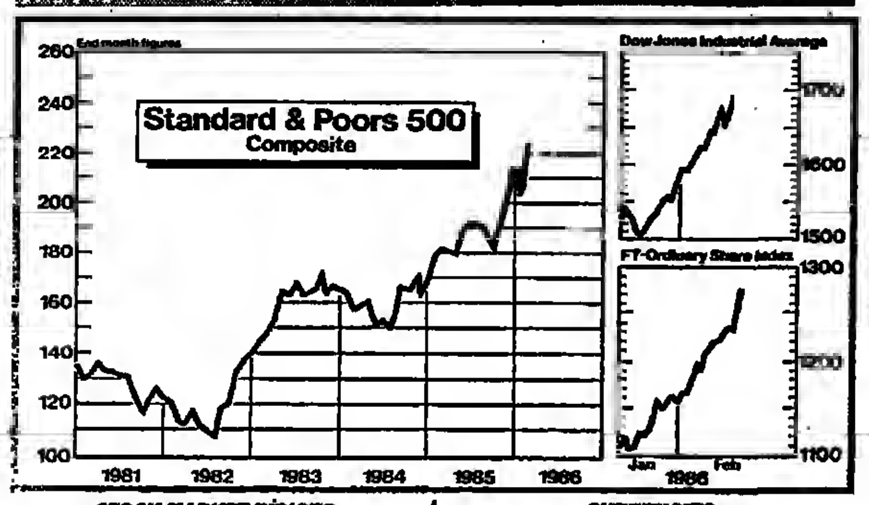
It was another heavy trading session for Texaco, down $⅛ at $28⅞ as traders awaited the next development in the legal fight against the $11.1bn penalty ordered by a Texas court. At $57¼, Pennzoil shed $⅝.

Bank stocks shaded nervously against the background of worries over Mexico's foreign debt payments and the closure of banks in the Philippines. Losses were small, however, and selling light.

A strong feature among contractors was FMC, which jumped $1⅞ to $87 after disclosing a recapitalisation plan giving stockholders a substantial payout.

In the credit market, bond prices rapidly extended Friday's gains. Short-term rates shaded easier, belped by $1.5bn in customer repurchases by the Federal Reserve. The reversal of the Fed's recent policy, whicb bas been to drain reserves, encouraged the Treasury bill sector. Federal funds remained at 7¾ per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 24	Previous	Year ago
DJ Industrials	1,696.67*	1,697.71	1,275.84
DJ Transport	796.18*	797.72	625.11
DJ Utilities	184.91*	185.53	149.67
S&P Composite	223.31*	224.62	179.36
LONDON			
FT Ord	1,275.2	1,256.0	968.0
FT-SE 100	1,533.0	1,518.0	1,268.9
FT-A All-share	745.76	737.54	606.89
FT-A 500	822.26	811.04	664.51
FT Gold mines	332.1	332.7	441.4
FT-A Long gilt	10.08	10.18	10.91
TOKYO			
Nikkei	13,503.49	13,433.21	12,147.1
Tokyo SE	1,074.72	1,072.17	952.23
AUSTRALIA			
All Ord.	1,062.0	1,057.0	785.2
Metals & Mins.	1,641.7	509.9	471.1
AUSTRIA			
Credit Aktien	114.19	115.39	70.09
BELGIUM			
Belgian SE	3,264.38	3,260.42	2,231.65
CANADA			
Toronto			
Metals & Minls	n/a	2,178.1	2,079.0
Composite	2,803.5*	2,809.7	2,591.2
Montreal			
Portfolio	135.97*	136.39	130.05
DENMARK			
SE	230.72	228.77	172.49
FRANCE			
CAC Gen	324.7	313.9	205.8
Ind. Tendance	123.50	120.4	71.5
WEST GERMANY			
FAZ-Aktien	652.00	653.79	405.08
Commerzbank	1,968.4	1,968.1	1,176.8
HONG KONG			
Hang Seng	1,742.37	1,747.06	1,435.17
ITALY			
Banca Comm.	559.47	544.12	277.45
NETHERLANDS			
ANP-CBS Gen	246.7	246.6	204.1
ANP-CBS Ind	240.1	239.2	162.5
NORWAY			
Oslo SE	354.38	356.57	326.45
SINGAPORE			
Straits Times	631.88	640.44	810.9
SOUTH AFRICA			
JSE Golds	–	1,207.9	886.2
JSE Industrials	–	1,140.4	864.6
SPAIN			
Madrid SE	117.85	114.81	84.44
SWEDEN			
J & P	1,655.63	1,636.47	1,436.37
SWITZERLAND			
Swiss Bank Ind	571.5	571.1	419.1
WORLD	Feb 21	Prev	Year ago
MS Capital Int'l	277.2	275.6	195.5

COMMODITIES

(London)	Feb 24	Prev
Silver (spot fixing)	404.25p	406.90p
Copper (cash)	£995.00	£970.00
Coffee (Mar)	£2,594.00	£2,460.00
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	Feb 24	Prev
London	$341.25	$338.50
Zürich	–	–
Paris (fixing)	–	–
Luxembourg	–	–
New York (April)	$351.00	$343.30

* Latest available figure

CURRENCIES

(London)	US DOLLAR Feb 24	US DOLLAR Previous	STERLING Feb 24	STERLING Previous
$	–	–	1.4995	1.447
DM	2.2820	2.3075	3.34	3.34
Yen	182.25	182.9	266.75	264.75
FFr	7.0225	7.09	10.2775	10.26
SFr	1.9010	1.9345	2.7825	2.8
Guilder	n/a	2.61	n/a	3.7775
Lira	n/a	1,575.5	n/a	2,279.75
BFr	n/a	47.4	n/a	68.6
C$	n/a	1.38755	n/a	2.00605

INTEREST RATES

	Feb 24	Prev
Euro-currencies (3-month offered rate)		
£	na	12⅝
SFr	na	4 7/16
DM	na	4 7/16
FFr	na	14
FT London Interbank fixing (offered rate)		
3-month US$	na	8
6-month US$	na	8
US Fed Funds	7⅝*	7⅝
US 3-month CDs	7.60*	7.67
US 3-month T-bills	7.02*	7.27

US BONDS

Treasury		Feb 24 Price	Feb 24 Yield	Prev Price	Prev Yield
8	1988	100[illegible]	7.89	100[illegible]	7.931
8⅝	1993	102[illegible]	8.252	101[illegible]	8.395
8⅞	1996	103[illegible]	8.341	102[illegible]	8.479
9¼	2016	107[illegible]	8.568	105[illegible]	8.729

Treasury Index Maturity (years)	Return index	Feb 24* Day's change	Yield	Day's change
1–30	142.54	+0.16	8.39	u/c
1–10	137.54	+0.09	8.21	u/c
1– 3	130.93	+0.09	7.98	u/c
3– 5	139.54	–0.05	8.28	+0.01
15–30	160.46	+0.39	9.00	–0.02

Source: Merrill Lynch

Corporate	Feb 19* Price	Feb 19* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100½	10.22	100⅝	10.18
3⅜ July 1990	87⅝	7.30	87⅝	7.35
8⅜ May 2000	93½	9.60	93½	9.60
Xerox				
10⅞ Mar 1993	105⅜	9.60	105⅝	9.55
Diamond Shamrock				
10⅜ May 1993	103⅜	9.93	103⅝	9.88
Federated Dept Stores				
10⅜ May 2013	93½	9.60	93½	9.60
Abbot Lab				
11.80 Feb 2013	113⅝	10.30	114	10.25
Alcoa				
12¼ Dec 2012	111⅝	10.95	111⅝	10.90

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	92-01	92-04	89-28	90-08
US Treasury Bills (IMM) $1m points of 100%				
Mar	93.20	93.23	93.13	93.21
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.55	92.55	92.39	92.43
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	92.07	92.11	92.07	92.10
20-year Notional Gilt £50,000 32nds of 100%				
Mar	114-10	115-02	114-00	113-25

* Latest available figures

TOKYO
Domestic path to fresh peak

SECURITIES HOUSES and individuals bought domestic stocks in Tokyo yesterday, driving prices to a record high for the first time in four trading days, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 70.28 from last week's close to 13,503.49. Trading was relatively active for the beginning of the week, with volume at 399m shares, compared with Friday's 432m. Advances outpaced declines 442 to 380, with 140 unchanged.

In the spotlight were asset-heavy stocks, foodstuffs and consumer issues, which are not directly affected by exchange rate movements and external trade disputes.

Toei, with buge real estate interests, topped the active list with 13.78m shares changing hands. It closed Y25 higher at Y665 after fluctuating between Y649 and Y684. The issue was sougbt on the strength of its development of cinema sites.

Nichirei was the second busiest issue with 9.08m shares traded and soared Y45 to Y580. The issue attracted strong buying interest on reports that the estimated market value of its cold-storage warehouse sites is Y1,100 per share.

Sapporo Breweries, fourth with 7.72m shares, remained steady, mirroring investor expectations in its project to redevelop its plant site in Ebisu, Tokyo. The issue closed Y6 higher at Y712.

QP Corp, whose imported raw material costs have fallen because of the yen's appreciation against the dollar, leaped Y40 to Y919. Yamazaki Baking added Y25 to Y990 and Takara Shuzo Y26 to Y644.

Among consumer issues, Tokyu Department Store and Seiyu rose Y14 and Y40 to Y710 and Y1,280, respectively.

Some construction issues were popular in anticipation of expanded public works. Hazama-gumi, sixth with 8.59m shares, gained Y16 to Y444, while Tekken Construction climbed Y24 to Y502.

Electric railways firmed, with Tobu Railway rising Y12 to Y472 and Odakyu Y8 to Y624. Tobu was the third most active stock with 8.61m shares and Odakyu 10th with 5.27m.

Conversely, Janome Sewing Machine, which had led the market until last week, came under heavy profit-taking pressure, shedding Y90 to Y1,310. The issue was the seventh most active issue with 6.11m shares. Ebara lost Y16 to Y550 and Mitsui Mining Y40 to Y890.

Tokyo Gas fell Y6 to Y326, Nippon Steel Y3 to Y161 and Mitsubishi Heavy Industries Y4 to Y368.

SINGAPORE

ANXIETY over the suspension of brokers Lyall and Evatt and uncertainty over the future of other houses spread through Singapore and prices turned sharply lower.

Investors hopes were soured by Cycle & Carriage's denial of the rumour that it is involved in a plan to rescue Pan-Electric Industries from liquidation.

Singapore Airlines, the market's most active issue, moved against the trend to end 20 cents firmer at S$6.55. Elsewhere, Genting lost 16 cents to S$4.08, Raleigh 16 cents to S$1.61, and Fraser and Neave 10 cents to S$6.25.

Among banks, DBS lost 24 cents to S$4.06.

CANADA

TORONTO had edged slightly lower by mid-session yesterday, and sectors tended to be mixed.

Most activity was seen in financial services issues which had been marked lower on Friday. Bank of British Columbia dropped 10 cents to C$4.65, Canadian Imperial Bank of Commerce added C$¼ to C$19⅞ and Royal Trustco Class A gained C$½ to C$26.

HONG KONG

A FLURRY of late buying belped Hong Kong to end off its lows for the day.

The Hang Seng index, which had lost 12 points at one stage, closed off 4.69 at 1,742.37.

Investors looked content to sit it out ahead of Wednesday's budget announcement from the Government.

Among property issues, Cheung Kong gained 10 cents to HK$20.80 while Hongkong Land fell 5 cents to HK$6.50.

EUROPE
Record run given new inspiration

THE RECORD-BREAKING form continued on the European bourses yesterday with fresh peaks in France, Italy, Belgium and Spain although volume in some centres began to contract.

Paris was inundated with a wave of buying, partly fostered by the start of the new account on Friday and given further impetus by the 8½ per cent call money rates, the lowest level since July 1979.

The CAC General index, which gained over 8 per cent in last week's record-studded streak added 10.8 to a high of 324.7 with trading volume, bloated by buge foreign buy orders, expected to exceed the FFr 1.7bn record set on Friday.

Moët-Hennessy, the champagne-to-rosebush group, was one of the star performers with a FFr 350 jump to FFr 2,400 – just below its high for the year – while Matra advanced FFr 101 to FFr 1,750 after the successful weekend launch of an important Earth observation satellite by an Ariane rocket, thus improving the perceived commercial viability of the launcher.

Club Med advanced 6.7 per cent to FFr 457 on revived, but still unconfirmed, reports that the group bad predatory intentions on Wagons-Lits of Belgium.

Carrefour was boosted FFr 110 higher to FFr 3,480, a new 12-month high, and Damart added FFr 190 to FFr 2,050.

Profit-takers, however, indulged in some select selling, with Valeo FFr 30 lower at FFr 584 after last week's results and Darty was trimmed back FFr 40 to FFr 2,700. Bouygues surrendered some of its recent gains – partly attributable to likely orders from the proposed Channel Tunnel project – and lost FFr 175 to FFr 960.

Skis Rossignol, oscillating for the past fortnight, turned lower with a FFr 52 decline to FFr 3,150.

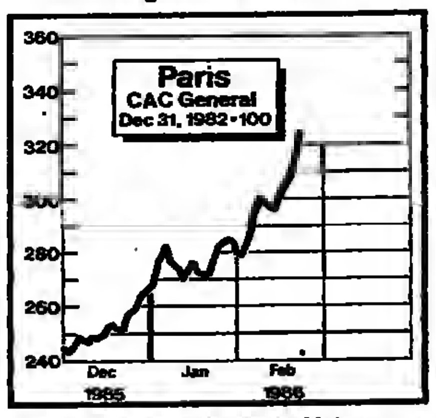
Frantic domestic institutional buying catapulted Milan to another high with a 15.35 gain in the Banca Commerciale index to 559.47. After-bourse trading took most sectors higher still.

The mutual fund buying programme spotlighted Fiat with a L245 jump to an all-time high of L8,690, while Generali, the other mainstay of the market's bull run, surged L1,990 to L91,990; Olivetti and Montedison, firm foreign favourites, also touched peaks, with the former jumping L420 to L11,280 and the latter L132 to L3,430.

Among second line stocks, Saipem – unsettled in recent weeks with some severe setbacks in a rising market – looked a little fresher with its L9 gain to L4,680. ENI, the parent of the pipelaying and drilling group, has indicated that it wishes to progressively reduce its controlling stake.

The steam began to run out of Brussels, although the Belgian Stock Exchange index managed to hit another high – its seventh in a row – with a 3.96 rise to 3,264.38.

A shortage of paper and persistent demand for Wagons-Lits added BFr 500 to



its closing quote of BFr 6,200 following favourable weekend press recommendations.

Chemical group UCB firmed BFr 160 to BFr 8,750, while market leader Petrofina retreated BFr 10 to BFr 6,610. Cometra lost BFr 60 to BFr 2,880.

Utilities, the cornerstone of last week's assault on peaks, weakened with Intercom BFr 85 cheaper at BFr 3,645 and Unerg BFr 40 lower at BFr 2,880.

Solvay retreated from Friday's high amid steady profit-taking. It lost BFr 90 to BFr 6,050 and news that it plans to buy a large US pharmaceutical group for $117m arrived after the close of trading.

Madrid was led to its peak by construction stocks although Telefonica continued to draw the crowds with its 2.75 percentage point gain to 135 per cent of nominal value.

Frankfurt and Amsterdam turned lower as the weaker dollar inhibited US purchases. Zurich finished mixed with few features although Landis & Gyr fell SFr 20 to SFr 2,160 amid its optimistic profit forecast for the year.

Stockholm gained ground, Fermenta remained suspended and turnover was low.

LONDON
Forecasts fuel another high point

RECORD LEVELS were hit in London again yesterday as prices powered ahead amid another beavy day of business. For the eighth time in nine consecutive sessions, the FT Ordinary share index surpassed the previous peak to close with another sharp gain of 19.2 at 1,275.2. The FT-SE 100 share soared 15 to 1,533.0.

Optimistic forecasts of a sustained recovery in UK output, partly because of lower oil prices, were the major stimulants.

The only dull area was the banking sector.

Gilt-edged bonds went into overdrive also. After opening sharply better, prices rose further on domestic and overseas interest before faltering in mid-afternoon. Longs ended 1⅛ up while shorts were ⅛₂ higher.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44-45

AUSTRALIA

INDUSTRIALS and miners were buoyed by bullish sentiment in Sydney yesterday and prices ended generally higher for the third consecutive session.

The All Ordinaries rose 5.0 to 1,062.0 while the All Industrials climbed 6.2 to a record high of 1,641.7.

BHP lost 6 cents at A$6.70, A$1 below the partial takeover offer by Mr Robert Holmes à Court, and Rupert Murdoch's News Corporation continued its sharp gains to end 45 cents higher at A$12.90.

SOUTH AFRICA

THE RISE in the rand countered better world bullion prices in Johannesburg yesterday, but gold issues still ended firmer.

Vaal Reefs added R3 to R229, Buffels gained R1 to R72 and Southvaal edged 50 cents higher to R115.50.

New-listing Freegold, which encompasses the recently-merged Orange Free State Gold Mines, added 75 cents after opening at R34. Ofsils, also trading for the first time, rose from R81 to R83.25.

Platinums were firm, with Rustenburg up 55 cents at R29.35.